HCL Comnet Limited

Financial Statements

Year ended 31 March 2020 and 31 March 2019

HCL Comnet Limited

Balance Sheet as at 31 March 2020

(All amounts in lakhs of ₹ except share data and as stated otherwise)

	Note No.	As at 31 March 2020	As at 31 March 2019
I. ASSETS			
(1) Non-current assets			
(a) Property, plant and equipment	**2.1**	805	1,160
(b) Right-of-use assets	**2.28**	564	-
(c) Other intangible assets	**2.2**	4	20
(d) Financial assets			
(i) Investments	**2.3**	-	235
(ii) Others	**2.4**	632	1,223
(e) Deferred tax assets (net)	**2.24**	2,511	3,084
(f) Other non-current assets	**2.5**	125	502
(2) Current assets			
(a) Inventories	**2.6**	109	26
(b) Financial assets			
(i) Investments	**2.3**	19,937	11,839
(ii) Trade receivables	**2.7**	3,265	4,726
(iii) Cash and cash equivalent	**2.8(a)**	193	505
(iv) Other bank balances	**2.8(b)**	-	8
(v) Loans	**2.9**	5,498	7,500
(vi) Others	**2.4**	948	1,233
(c) Current tax assets (net)		5,158	8,491
(d) Other current assets	**2.10**	1,295	2,086
TOTAL ASSETS		**41,044**	**42,638**
II. EQUITY			
(a) Equity share capital	**2.11**	95	95
(b) Other equity		27,125	27,607
TOTAL EQUITY		27,220	27,702
III. LIABILITIES			
(1) Non - current liabilities			
(a) Financial liabilities			
(i) Borrowings	**2.12**	11	326
(ii) Lease liabilities	**2.28**	333	-
(b) Provisions	**2.13**	388	379
(c) Other non-current liabilities	**2.14**	144	245
(2) Current liabilities			
(a) Financial liabilities			
(i) Trade payables	**2.15**		
1. Dues of micro enterprises and small enterprises	**2.33**	-	12
2. Dues of creditors other than micro enterprises and small enterprises		1,089	825
(ii) Lease liabilities	**2.28**	245	-
(iii) Others	**2.16**	6,269	8,278
(b) Provisions	**2.13**	212	177
(c) Other current liabilities	**2.17**	5,133	4,694
TOTAL EQUITY AND LIABILITIES		**41,044**	**42,638**
Summary of significant accounting policies	**1**		

The accompanying notes are an integral part of the financial statements

As per our report of even date

FOR B S R & Co. LLP
Chartered Accountants
Firm's Registration No.: 101248W/W-100022

ANURAG KUMAR MAHESHWARY Digitally signed by ANURAG KUMAR MAHESHWARY Date: 2020.07.10 19:04:37 +05'30'

Anurag Maheshwary
Partner
Membership Number: 506533

Place: Gurugram, India
Date: 10 July 2020

For and on behalf of the Board of Directors of HCL Comnet Limited

PRAHLAD RAI BANSAL Digitally signed by PRAHLAD RAI BANSAL Date: 2020.07.10 15:39:07 +05'30'

Prahlad Rai Bansal
Director

ATUL KUMAR JAIN Digitally signed by ATUL KUMAR JAIN Date: 2020.07.10 15:44:06 +05'30'

Atul Kumar Jain
Director

Place: Noida (UP), India
Date: 10 July 2020

HCL Comnet Limited

Statement of Profit and Loss for the year ended 31 March 2020

(All amounts in lakhs of ₹ except share data and as stated otherwise)

		Note No.	Year ended 31 March 2020	Year ended 31 March 2019
I	**Revenue**			
	Revenue from operations	**2.18**	9,137	17,800
	Other income	**2.19**	2,706	1,726
	Total income		**11,843**	**19,526**
II	**Expenses**			
	Purchase of stock-in-trade		664	363
	Changes in inventories of stock-in-trade	**2.20**	(80)	611
	Employee benefits expense	**2.21**	3,837	5,699
	Finance costs	**2.22**	122	33
	Depreciation and amortization expense	**2.1 & 2.2**	666	410
	Cost of network, installation and other services		4,015	6,690
	Other expenses	**2.23**	2,342	2,419
	Total expenses		**11,566**	**16,225**
III	**Profit/(loss) before tax**		**277**	**3,301**
IV	**Tax expense**	**2.24**		
	Current tax		141	1,525
	Deferred tax charge		603	525
	Total tax expense		**744**	**2,050**
V	**Profit for the year**		**(467)**	**1,251**
VI	**Other comprehensive income**			
	Items that will not be reclassified to statement of profit or loss		(45)	62
	Income tax on items that will not be reclassified to statement of profit or loss		30	(22)
	Total other comprehensive income	**2.25**	**(15)**	**40**
VII	**Total comprehensive income for the year**		**(482)**	**1,291**
	Earnings per equity share of ₹ 10 each	**2.26**		
	Basic (in ₹)		(49.16)	131.70
	Diluted (in ₹)		(49.16)	131.70

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Partner
Membership Number: 506533

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Prahlad Rai Bansal
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Atul Kumar Jain
Director

Place: Noida (UP), India
Date: 10 July 2020

HCL Comnet Limited

Statement of Changes in Equity for year ended 31st March 2020

(All amounts in lakhs of ₹ except share data and as stated otherwise)

	Equity share capital		Other equity		
			Reserves and Surplus		
	Number of shares	Share capital	Retained earnings	Securities premium	Total other equity
Balance as at 1 April 2018	**949,900**	**95**	**20,917**	**5,399**	**26,316**
Profit for the year	-	-	1,251	-	1,251
Other comprehensive income	-	-	40	-	40
Total comprehensive income for the year	-	-	1,291	-	1,291
Balance as at 31 March 2019	**949,900**	**95**	**22,208**	**5,399**	**27,607**
Balance as at 1 April 2019	949,900	95	22,208	5,399	27,607
Profit for the year	-	-	(467)	-	(467)
Other comprehensive income	-	-	(15)	-	(15)
Total comprehensive income for the year	-	-	(482)	-	(482)
Balance as at 31 March 2020	**949,900**	**95**	**21,726**	**5,399**	**27,125**

Nature & purpose of reserves

Securities Premium :- Securities premium reserve is used to record the premium on issue of shares. The reserve can be utilized only for limited purposes such as issuance of bonus shares and buyback of shares in accordance with the provisions of the Companies Act, 2013.

Refer note 1 for summary of significant accounting policies

The accompanying notes are an integral part of financial statements

As per our report of even date

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Anurag Maheshwary
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Date: 10 July 2020

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Prahlad Rai Bansal
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Atul Kumar Jain
Director

Place: Noida (UP), India
Date: 10 July 2020

HCL Comnet Limited
Statement of cash flows
(All amounts in lakhs of ₹)

		Year ended 31 March 2020	Year ended 31 March 2019
A. Cash flows from operating activities			
Profit before tax		277	3,301
Adjustment for:			
Depreciation and amortization		666	410
Interest income		(1,768)	(145)
Income on investments carried at fair value through profit and loss		(879)	(1,118)
Interest expenses		62	6
(Profit)/ Loss on sale of property, plant and equipment (net)		3	(7)
Provision for doubtful debts / bad debt (written back) written off, net		337	(237)
Provision for dimunition in value of investment		235	-
Other non-cash (benefits) charges (net)		2	22
Operating (profit)/loss before working capital changes		**(1,065)**	**2,232**
Movement in Working Capital			
Decrease in trade receivables		1,126	2,531
(Increase)/decrease in inventories		(83)	611
Decrease in other financial assets and other assets		2,061	4,636
Increase/(decrease) in trade payables		252	(458)
Decrease in provisions, other financial liabilities and other liabilities		(1,346)	(3,087)
Cash generated from operations		**945**	**6,465**
Direct taxes paid (net of refunds)		4,506	(1,925)
Net cash flow from operating activities	**(A)**	**5,451**	**4,541**
B. Cash flows from investing activities			
Proceeds from bank deposits on maturity		8	-
Purchase of investments in securities		(66,650)	(77,171)
Proceeds from sale of investments in securities		59,431	79,558
Deposits placed with body corporates		3,502	(7,500)
Loan given to subsidiary		(1,500)	-
Purchase of property, plant and equipment, including capital work in progress and capital advances		(62)	(78)
Proceeds from sale of property, plant and equipment		9	23
Interest received		636	97
Taxes paid		(207)	(49)
Net cash flow used in investing activities	**(B)**	**(4,833)**	**(5,120)**
C. Cash flows from financing activities			
Repayment of long term borrowings		(605)	(605)
Payment of lease liablities including interest		(319)	-
Interest paid		(5)	(6)
Net cash flow used in financing activities	**(C)**	**(929)**	**(611)**
Net decrease in cash and cash equivalents (A+B+C)		(312)	(1,190)
Cash and cash equivalents at the beginning of the year		505	1,695
Cash and cash equivalents at the end of the year as per note 2.8(a)		**193**	**505**

As per our report of even date

FOR B S R & Co. LLP
Chartered Accountants
Firm's Registration No.: 101248W/W-100022

ANURAG KUMAR MAHESHWARY Digitally signed by ANURAG KUMAR MAHESHWARY Date: 2020.07.10 19:12:06 +05'30'

Anurag Maheshwary
Partner
Membership Number: 506533

Place: Gurugram, India
Date: 10 July 2020

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of HCL Comnet Limited

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Prahlad Rai Bansal
Director

ATUL KUMAR JAIN Digitally signed by ATUL KUMAR JAIN Date: 2020.07.10 15:42:52 +05'30'

Atul Kumar Jain
Director

Place: Noida (UP), India
Date: 10 July 2020

HCL Comnet Limited

Notes to financial statements for the year ended 31 March 2020

(All amounts in lakhs of ₹ except share data and as stated otherwise)

ORGANIZATION AND NATURE OF OPERATIONS

HCL Comnet Limited (hereinafter referred to as "the Company" was incorporated under the provisions of the Companies Act applicable in India in August 2001, having its registered office at 806, Sidharth, 96, Nehru Place, New Delhi -110019 and focuses on providing technology services. The Company is providing data communication services which include trading of satellite and non satellite based communication equipments such as VSAT, Routers, switches, Modems etc, application operation services and services related to installation and maintenance of networking equipment. The Company is providing the services across Defense, Financial services, Government, Telecom, PSU's, Energy and utilities.

The financial statements for the year ended 31 March 2020 were approved and authorized for issue by the Board of Directors on ---------- .

1. Summary of Significant accounting policies

a) Basis of preparation

The financial statements of the company have been prepared in accordance with recognition and measurement principles laid down in Indian Accounting Standards (Ind AS) prescribed under section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules as amended from time to time and presentation requirements of Schedule III (Division II) to the Companies Act, 2013, as applicable to the financial statements.

The Hon'ble National Company Law Tribunal ("NCLT"), New Delhi, vide its Order dated 12 December 2019 along with its Modification Order dated 23 January 2020 ("Delhi Order"), and NCLT, Bengaluru via its order dated June 24, 2020 ("Bangalore Order"), sanctioned the Scheme of Amalgamation ("Scheme") of HCL Eagle Limited, HCL Comnet Limited, HCL Technologies Solutions Limited and Concept2Silicon Systems Private Limited with and into HCL Technologies Limited on a going concern basis. The certified copy of the Delhi Order has been filed with the Registrar of Companies on 13 March 2020. The company is in the process of filing the certified copy of the Bengaluru Order with Registrar of companies. The Scheme will be effective from the date on which the certified copy of the Bengaluru Order is filed with the Registrar of Companies. The Appointed date of the Scheme is April 1, 2019. Accordingly, these financial statements have been prepared on a going concern basis, and pending submission of Bangalore Order with Registrar of Companies, no effects of the Scheme have been given in these financial statements.

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous year except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy.

All assets and liabilities have been classified as current and non-current as per company's normal operating cycle of 12 months. The statement of cash flows has been prepared under indirect method .

The company uses the Indian rupee ('₹') as its reporting currency.

b) Use of estimates

The preparation of financial statements in conformity with Ind AS requires the management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and other comprehensive income (OCI) that are reported and disclosed in the financial statements and accompanying notes. These estimates are based on the management's best knowledge of current events, historical experience, actions that the Company may undertake in the future and on various other assumptions that are believed to be reasonable under the circumstances. Significant estimates and assumptions are used for, but not limited to, accounting for costs expected to be incurred to complete performance under fixed price projects, allowance for uncollectible accounts receivables, accrual of warranty costs, income taxes,

valuation of share-based compensation, future obligations under employee benefit plans, the useful lives of property, plant and equipment, right-of-use asset, intangible assets, impairment of goodwill, and other contingencies and commitments. Changes in estimates are reflected in the financial statements in the year in which the changes are made. Actual results could differ from those estimates.

c) Equity investments

Equity investments in subsidiaries are measured at cost less impairment if any.

d) Foreign currency and translation

The financial statements of the Company are presented in Indian Rupee (₹) which is also the Company's functional currency.

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date of the transaction. Foreign-currency denominated monetary assets and liabilities are translated to the relevant functional currency at exchange rates in effect at the balance sheet date. Exchange differences arising on settlement or translation of monetary items are recognized in the statement of profit and loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of the initial transaction. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined.

Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the year in which the transaction is settled. Revenue, expenses and cash-flow items denominated in foreign currencies are translated into the relevant functional currencies using the exchange rate in effect on the date of the transaction.

e) Fair value measurement

The Company records certain financial assets and liabilities at fair value on a recurring basis. The Company determines fair value based on the price it would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability.

The Company holds certain fixed income securities and equity securities, which must be measured using the guidance for fair value hierarchy and related valuation methodologies. The guidance specifies a hierarchy of valuation techniques based on whether the inputs to each measurement are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's assumptions about current market conditions. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The prescribed fair value hierarchy and related valuation methodologies are as follows:

Level 1 - Quoted inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations, in which all significant inputs are directly or indirectly observable in active markets.

Level 3 - Valuations derived from valuation techniques, in which one or more significant inputs are unobservable inputs which are supported by little or no market activity.

In accordance with Ind AS 113, assets and liabilities are to be measured based on the following valuation techniques:

a) Market approach – Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

b) Income approach – Converting the future amounts based on market expectations to its present value using the discounting method.

c) Cost approach – Replacement cost method.

Certain assets are measured at fair value on a non-recurring basis. The assets consist primarily of non-financial assets such as intangible assets.
A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant who would use the asset in its highest and best use.

f) Revenue recognition

Contracts involving provision of services and material

Revenue is recognized when, or as, control of a promised service or good transfers to a customer, in an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring those products or services. To recognize revenues, the following five step approach is applied: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenues when a performance obligation is satisfied. Contract is accounted when it is legally enforceable through executory contracts, approval and commitment from all parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable.

Revenue from product sales are shown net of sales tax and applicable discounts and allowances. Revenue related to product with installation services that are critical to the product is recognized when installation of product at customer site is completed and accepted by the customer. If the revenue for a delivered item is not recognized for non-receipt of acceptance from the customer, the cost of the delivered item continues to be in inventory.

Multiple performance obligation

When a sales arrangement contains multiple performance, such as services, hardware and Licensed IPs (software) or combinations of each of them revenue for each element is based on a five step approach as defined above. To the extent a contract includes multiple promised deliverables, judgment is applied to determine whether promised deliverables are capable of being distinct and are distinct in the context of the contract. If these criteria are not met, the promised deliverables are accounted for as a combined performance obligation. For arrangements with multiple distinct performance obligations or series of distinct performance obligations, consideration is allocated among the performance obligations based on their relative standalone selling price. Standalone selling price is the price at which company would sell a promised good or service separately to the customer. When not directly observable, we typically estimate standalone selling price by using the expected cost plus a margin approach. We typically establish a standalone selling price range for our deliverables, which is reassessed on a periodic basis or when facts and circumstances change. If the arrangement contains obligations related to License of Intellectual property (Software) or Lease deliverable, the arrangement consideration allocated to the Software deliverables, lease deliverable as a group is then allocated to each software obligation and lease deliverable.

Revenue recognition for delivered elements is limited to the amount that is not contingent on the future delivery of products or services, future performance obligations or subject to customer-specified return or refund privileges.

In instances when revenue is derived from sales of third-party vendor services, material or licenses, revenue is recorded on a gross basis when the Company is a principal to the transaction and net of costs when the Company is acting as an agent between the customer and the vendor. Several factors are considered to determine whether the Company is a principal or an agent, most notably being company control the goods or service before it is transferred to customer, latitude in deciding the price being charged to customer. Revenue is recognized net of discounts and allowances, value-added and service taxes, and includes reimbursement of out-of-pocket expenses, with the corresponding out-of-pocket expenses included in cost of revenues.

Incentive revenues, volume discounts, or any other form of variable consideration is estimated using either the sum of probability weighted amounts in a range of possible consideration amounts (expected value), or the single most likely amount in a range of possible consideration amounts (most likely amount), depending on which method better predicts the amount of consideration realizable. Transaction price includes variable consideration only to the extent it is probable that a significant reversal of revenues recognized will not occur when the uncertainty associated with the variable consideration is resolved. Our estimates of variable consideration and determination of whether to include estimated amounts in the transaction price may involve judgment and are based largely on an assessment of our anticipated performance and all information that is reasonably available to us.

Revenue recognized but not billed to customers is classified either as contract assets or unbilled receivable in our statements of financial position, contract assets primarily relate to unbilled amounts on those contracts utilizing the cost to cost method of revenue recognition. Unbilled receivables represent contracts where right to consideration is unconditional (i.e. only the passage of time is required before the payment is due).

Revenue from sales-type leases is recognized when risk of loss has been transferred to the client and there are no unfulfilled obligations that affect the final acceptance of the arrangement by the client. Revenue from operating leases is accounted on a straight-line basis as service revenue over the rental period. Interest attributable to sales-type leases and direct financing leases included therein is recognized on an accrual basis using the effective interest method.

Interest income

Interest income for all financial instruments measured at amortized cost is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortized cost of a financial liability. When calculating the EIR, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses. Interest income is included in other income in the statement of profit and loss.

f) Income taxes

Income tax expense comprises current and deferred income tax.

Income tax expense is recognized in the statement of profit and loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current income tax for current and prior periods is recognized at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Provision for income tax includes the impact of provisions established for uncertain income tax positions.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.
The effect of changes in tax rates on deferred income tax assets and liabilities is recognized as income or expense in the year that includes the enactment or the substantive enactment date. A deferred income tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilized.

g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses if any. Cost comprises the purchase price and directly attributable cost of bringing the asset to its working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price. The Company identifies and determines separate useful lives for each major component of the property, plant and equipment, if they have a useful life that is materially different from that of the asset as a whole.

Expenses on existing property, plant and equipment, including day-to-day repairs, maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the year during which such expenses are incurred.

Gains or losses arising from de recognition of assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

Property, plant and equipment under construction and cost of assets not ready for use at the year-end are disclosed as capital work- in- progress.

Depreciation on property, plant and equipment is provided on the straight-line method over their estimated useful lives, as determined by the management. Depreciation is charged on a pro-rata basis for assets purchased/sold during the year.

The management's estimates of the useful lives of various assets for computing depreciation are as follows:

Asset description	Asset life (in years)
Plant and equipment (including air conditioners, electrical installations)	10
Office equipment's	5
Computers and networking equipment	4-5
Furniture and fixtures	7
Vehicles – owned	5

The useful lives as given above best represent the period over which the management expects to use these assets, based on technical assessment. The estimated useful lives for these assets are therefore different from the useful lives prescribed under Part C of Schedule II of the Companies Act 2013.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate.

h) Intangibles assets

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The

amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit and loss.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

The intangible assets are amortized in proportion to the expected benefits over the estimated useful lives of the assets as mentioned below:

Asset description	Asset life (in years)
Software	3

i) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs also include exchange differences to the extent regarded as an adjustment to the borrowing costs.

j) Leases

A lease is a contract that contains right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

Company is lessee in case of office accommodation. These leases are evaluated to determine whether it contains lease based on principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors as defined in Ind AS 116.

Effective 1 April 2019, all leases with a term of more than 12 months are recognized as right-of-use assets along with associated lease liabilities.

Right-of-use asset represents the company's right to control the underlying assets under lease and the lease liability is the obligation to make the lease payments related to the underlying asset under lease. Right-of-use asset is measured initially based on the lease liability adjusted for any initial direct costs, prepaid rent, and lease incentives. Right-of-use asset is depreciated based on straight line method over the lease term or useful life of right-of-use asset, whichever is less. Subsequently, right-of-use asset is measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any re measurement of lease liability.

The lease liability is measured at the lease commencement date and determined using the present value of the minimum lease payments not yet paid and the company's incremental borrowing rate, which approximates the rate at which the company would borrow, in the country where the lease was executed. The Company has used a single discount rate for a

portfolio of leases with reasonably similar characteristics. The lease payment comprises fixed payment less any lease incentives, variable lease payment that depends on an index or a rate, exercise price of a purchase option if the company is reasonably certain to exercise the option and payment of penalties for terminating the lease, if the lease term reflects the company exercising an option to terminate the lease. Lease liability is subsequently measured by increase the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made and remeasuring the carrying amount to reflect any reassessment or modification, if any.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the year in which they are earned or contingency is resolved.

Leases in which the Company transfers substantially all the risk and benefits of ownership of the asset are classified as finance leases. Assets given under finance lease are recognized as a receivable at an amount equal to the net investment in the leased assets. After initial recognition, the Company apportions lease rentals between the principal repayment and interest income so as to achieve a constant periodic rate of return on the net investment outstanding in respect of the finance leases. The interest income is recognized in the statement of profit and loss. Initial direct costs such as legal cost, brokerage cost etc. are recognized immediately in the statement of profit and loss.

Transition to Ind AS 116

Ministry of Corporate Affairs ("MCA") through Companies (Indian Accounting Standards) Amendment Rules, 2019, has notified Ind AS 116 Leases which replaces the existing lease standard, Ind AS 17 leases and other interpretations. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. The company has adopted Ind AS 116, effective 1 April 2019 using the modified retrospective approach which involves recognizing new right-of-use assets and lease liabilities on its balance sheet. Comparative information has not been adjusted and continues to be reported under Ind AS 17. As a result of the company's adoption of this new standard, all leases are recorded in the balance sheet. The company has also elected the practical expedients, not to reassess prior conclusions related to contracts containing leases, lease classification and initial direct costs. The company has used a single discount rate to a portfolio of leases with reasonably similar characteristics. The company has elected the lessee practical expedient to combine lease and non-lease components and account for the combined unit as a single lease component in case there is no separate payment defined under the contract, and to use the recognition exemption for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ("short-term leases").

Impact on financial statement

As a result of adoption of Ind AS 116, the company recognized additional lease liabilities of ₹ 844 lacs and rights-of-use assets of ₹ 854 lacs as on 1 April 2019.

The weighted average incremental borrowing rate of 8.28% has been applied to lease liabilities recognized in the balance sheet at the date of initial application, in respect of leases classified as operating leases as per Ind AS 17.

The difference between future minimum lease rental commitments against non-cancellable operating leases reported as at 31 March 2019 and lease liability recognized as at 1 April 2019 is primarily due to:

a. inclusion of finance lease obligation earlier shown separately; and
b. exclusion of short term lease commitments for which the company has chosen to apply the practical expedient as per

the standard.

The following table summarize the impact of the company's adoption of Ind AS 116 on its financial statements as of 1 April 2019

	As reported 31 March 2019	Adoption of Ind AS 116	Balance as of 1 April 2019
Prepaid expenses (including current and non-current portion) (note 1)	1,784	(27)	1,757
Other financial liabilities (current) - liabilities for expenses (note 2)	4,226	(17)	4,209
Right-of-use assets	-	854	854
Lease liability (including current and non-current portion)	-	844	844

Notes:
1. Prepaid amount of security deposit amounting to ₹ 27 lacs, reclassified to right-of-use assets.

2. Includes lease equalization reserve of ₹ 17 lacs adjusted with right-of-use assets.

k) Inventory

Stock-in-trade, stores and spares are valued at the lower of the cost or net realizable value. Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

Cost of stock-in-trade procured for specific projects is assigned by identifying individual costs of each item. Cost of stock in trade, that are interchangeable and not specific to any project and cost of stores and spare parts are determined using the weighted average cost formula.

l) Impairment of non-financial assets

Intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the CGU to which the asset belongs. If such assets are considered to be impaired, the impairment to be recognized in the statement of profit and loss is measured by the amount by which the carrying value of the asset exceeds the estimated recoverable amount of the asset.

n) Retirement and other employee benefits

i. Provident fund: Employees of the Company receive benefits under the provident fund, a defined benefit plan. The employee and employer each make monthly contributions to the plan. A portion of the contribution is made to the provident fund trust managed by the Company or Government administered provident fund; while the balance contribution is made to the Government administered pension fund. For the contribution made by the Company to the provident fund trust managed by the Company, the Company has an obligation to fund any shortfall on the yield of the Trust's investments over the administered interest rates. The liability is actuarially determined (using the projected unit credit method) at the end of the year. The funds contributed to the Trust are invested in specific securities as

mandated by law and generally consist of federal and state government bonds, debt instruments of government-owned corporations and other eligible market securities.

ii. In respect of superannuation, a defined contribution plan for applicable employees, the Company contributes to a scheme administered on its behalf by an insurance company and such contributions for each year of service rendered by the employees are charged to the statement of profit and loss. The Company has no further obligations to the superannuation plan beyond its contributions.

iii. Gratuity liability: The Company provides for gratuity, a defined benefit plan (the "Gratuity Plan") covering eligible employees. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's base salary and the tenure of employment (subject to a maximum of ` 20 lacs per employee). The liability is actuarially determined (using the projected unit credit method) at the end of each year. Actuarial gains/losses are recognized immediately in the balance sheet with a corresponding debit or credit to retained earnings through other comprehensive income in the year in which they occur.

iv. Compensated absences: The employees of the Company are entitled to compensated absences which are both accumulating and non-accumulating in nature. The employees can carry forward up to the specified portion of the unutilized accumulated compensated absences and utilize it in future periods or receive cash at retirement or termination of employment. The expected cost of accumulating compensated absences is determined by actuarial valuation (using the projected unit credit method) based on the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the balance sheet date. The expense on non-accumulating compensated absences is recognized in the statement of profit and loss in the year in which the absences occur. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred.

v. State Plans: The contribution to State Plans, a defined contribution plan namely Employee State Insurance Fund and Employees' Pension Scheme for the Company are charged to the statement of profit and loss as and when employees render related services.

o) Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

All financial assets are recognized initially at fair value. Transaction costs that are directly attributable to the acquisition of financial assets (other than financial assets at fair value through profit or loss) are added to the fair value measured on initial recognition of financial asset. Purchase and sale of financial assets are accounted for at trade date.

Cash and cash equivalents
Cash and cash equivalents in the balance sheet comprise cash in banks which are subject to an insignificant risk of changes in value.

Financial instruments at amortized cost
A financial instrument is measured at the amortized cost if both the following conditions are met:
a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in other income in the statement of profit and loss. The losses arising from impairment are recognized in the statement of profit and loss. This category includes cash and bank balances, loans, unbilled revenue, trade and other receivables.

Financial instrument at Fair Value through Other Comprehensive Income (OCI)
A financial instrument is classified and measured at fair value through OCI if both of the following criteria are met:

a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
b) The asset's contractual cash flows represent solely payments of principal and interest.

Financial instruments included within the OCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in OCI. On derecognition of the asset, cumulative gain or loss previously recognized in OCI is reclassified from OCI to statement of profit and loss.

Financial instrument at Fair Value through Profit and Loss
Any financial instrument, which does not meet the criteria for categorization at amortized cost or at fair value through other comprehensive income, is classified at fair value through profit and loss. Financial instruments included in the fair value through profit and loss category are measured at fair value with all changes recognized in the statement of profit and loss.

Derecognition of financial assets
A financial asset is primarily derecognized when the rights to receive cash flows from the asset have expired, or the Company has transferred its rights to receive cash flows from the asset.

Impairment of financial assets
The Company recognizes loss allowances using the expected credit loss (ECL) model for the financial assets which are not fair valued through profit and loss. Lifetime ECL allowance is recognized for trade receivables with no significant financing component. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month ECL, unless there has been a significant increase in credit risk from initial recognition in which case they are measured at lifetime ECL. The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date is recognized in the statement of profit and loss.

Financial liabilities

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.
The Company's financial liabilities include trade payables, borrowings and other payables.
After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest rate (EIR) method. Gains and losses are recognized in the statement of profit and loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit and loss.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

p) Earnings per share

Basic EPS amounts are computed by dividing the net profit attributable to the equity holders of the Company by the weighted average number of equity shares outstanding during the year.

Diluted EPS amounts are computed by dividing the net profit attributable to the equity holders of the Company by the weighted average number of equity shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares. The diluted potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares). Dilutive potential equity shares are deemed converted as at the beginning of the year, unless issued at a later date. Dilutive potential equity shares are determined independently for each year presented.

q) Provisions and contingent liabilities

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows.

The company uses significant judgement to disclose contingent liabilities. Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount cannot be made. Contingent assets are neither recognized nor disclosed in the financial statements.

HCL Comnet Limited
Notes to financial statements for the year ended 31 March 2020
(All amounts in lakhs of ₹ except share data and as stated otherwise)

2. Notes to financial statements

2.1 Property, plant and equipment

The changes in the carrying value for the year ended 31 March 2020

	Plant and equipment	Office equipment	Computers and networking equipment	Furniture and fixtures	Vehicles #	Total
Gross block as at 1 April 2019	5,071	438	2,472	271	101	**8,353**
Additions	-	8	14	-	-	**22**
Disposals	22	100	630	4	17	**773**
Gross block as at 31 March 2020	**5,049**	**346**	**1,856**	**267**	**84**	**7,602**
Accumulated depreciation as at 1 April 2019	4,566	321	1,979	266	61	**7,193**
Charge for the year	84	4	264	1	12	**365**
Deduction/other adjustments	18	100	629	4	10	**761**
Accumulated depreciation as at 31 March 2020	**4,632**	**225**	**1,614**	**263**	**63**	**6,797**
Net block as at 31 March 2020	**417**	**121**	**242**	**4**	**21**	**805**

Also refer footnote 1 of note 2.12

The changes in the carrying value for the year ended 31 March 2019

	Plant and equipment	Office equipment	Computers and networking equipment	Furniture and fixtures	Vehicles #	Total
Gross block as at 1 April 2018	5,068	445	2,544	271	149	**8,477**
Additions	8	7	176	-	19	**210**
Disposals	5	14	248	-	67	**334**
Gross block as at 31 March 2019	**5,071**	**438**	**2,472**	**271**	**101**	**8,353**
Accumulated depreciation as at 1 April 2018	4,483	330	1,946	265	102	**7,126**
Charge for the year	85	5	280	1	14	**385**
Deduction/other adjustments	2	14	247	-	55	**318**
Accumulated depreciation as at 31 March 2019	**4,566**	**321**	**1,979**	**266**	**61**	**7,193**
Net block as at 31 March 2019	**505**	**117**	**493**	**5**	**40**	**1,160**
Net Block as at 1 April 2018	**585**	**115**	**598**	**6**	**47**	**1,351**

Also refer footnote 1 of note 2.12

2.2 Other intangible assets

The changes in the carrying value for the year ended 31 March 2020

	Software
Gross block as at 1 April 2019	1,249
Disposals	-
Gross block as at 31 March 2020	**1,249**
Accumulated depreciation as at 1 April 2019	1,229
Charge for the year	16
Accumulated depreciation as at 31 March 2020	**1,245**
Net block as at 31 March 2020	**4**

The changes in the carrying value for the year ended 31 March 2019

	Software
Gross block as at 1 April 2018	1,251
Disposals	2
Gross block as at 31 March 2019	**1,249**
Accumulated depreciation as at 1 April 2018	1,206
Charge for the year	25
Deduction	2
Accumulated depreciation as at 31 March 2019	**1,229**
Net block as at 31 March 2019	**20**
Net block as at 1 April 2018	**45**

2.3 Financial Assets - Investments

	As at	
	31 March 2020	**31 March 2019**
Financial Assets		
Non-current		
Unquoted investment		
Equity investment in subsidiary company carried at cost(fully paid up)		
1,751,301 (31 March 2019, 1,751,301) equity shares of ` 10 each in HCL Training and Staffing Services Private Limited	235	235
Less: Impairment in value of investment	(235)	-
	-	**235**
Current		
Unquoted investments		
Carried at fair value through profit and loss		
Investment in mutual fund	19,937	11,839
	19,937	**11,839**
Total investment - Financial assets	**19,937**	**12,074**
Aggregare amount of unquoted investments	19,937	12,074
Equity instruments carried at cost	-	235
Investments carried at fair value through profit and loss	19,937	11,839

During the fiscal year ended March 31, 2018 the Company invested 235 lakhs for the subscription of shares issued by HCL Training and Staffing Services Private Limited ('HTSSPL').HTSSPL has incurred significant losses in the current year and in the previous period, as a result the net worth of the company is eroded.

Based on the future projections of the Company, the carrying amount of the asset was determined to be higher than its recoverable amount, accordingly, an impairment loss of ₹ 235 lakhs was recognised during the financial year ended March 31, 2020.

HCL Comnet Limited

Notes to financial statements for the year ended 31 March 2020

(All amounts inl lakhs of ₹ except share data and as stated otherwise)

2.4 Other financial assets

	As at	
	31 March 2020	**31 March 2019**
Non - current		
Finance lease receivables (refer note 2.27)	527	1,124
Security deposits	105	99
	632	**1,223**
Current		
Interest receivable	7	53
Interest receivable-related party (refer note 2.29)	72	-
Unbilled receivable	20	110
Unbilled receivable - related party (refer note 2.29)	363	325
Security deposits	29	24
Finance lease receivables (refer note 2.27)	457	721
	948	1,233
Unsecured, considered doubtful		
Security deposits	35	35
Less: Provision for security deposits	(35)	(35)
	948	**1,233**

2.5 Other non- current assets

	As at	
	31 March 2020	**31 March 2019**
Unsecured considered good unless otherwise stated		
Capital advances	10	1
Advances other than capital advances		
Security deposits	101	102
Others		
Prepaid expenses	14	333
Deferred contract cost (refer note 2.18)	-	66
	125	**502**

2.6 Inventories

	As at	
	31 March 2020	**31 March 2019**
Stock in trade(including in transit ₹ 9 lakh (31 March 2019: ₹ 6 lakh)	109	26
	109	**26**

2.7 Trade Receivables

	As at	
	31 March 2020	**31 March 2019**
Unsecured considered good	3,262	4,963
Trade receivables which have significant increase in credit risk	4,039	3,331
Trade receivables-credit impaired	3	134
	7,304	8,428
Impairment allowance for bad and doubtful debts	(4,039)	(3,702)
	3,265	**4,726**

Note:-

1. Includes receivables from related parties amounting to ₹ 901 lakhs (Previous year ₹ 1161 lakh)

HCL Comnet Limited

Notes to financial statements for the year ended 31 March 2020

(All amounts in lakhs of ₹ except share data and as stated otherwise)

2.8 Cash and bank balances

	As at	
	31 March 2020	**31 March 2019**
(a) Cash and cash equivalents		
Balance with banks		
- in current accounts	193	505
	193	**505**
(b) Other bank balances		
Deposits with remaining maturity of more than 3 months but up to 12 months	-	8
	193	**513**

2.9 Loans

	As at	
	31 March 2020	**31 March 2019**
Current		
Carried at amortized cost		
Unsecured considered good		
Inter corporate deposits	3,998	7,500
Loans to subsidiary - related party (refer note 2.29)	1,500	-
	5,498	**7,500**

2.10 Other current assets

	As at	
	31 March 2020	**31 March 2019**
Unsecured , considered good		
Advances other than capital advances		
Security deposits	31	30
Receivable for expenses - related party (refer note 2.29)	15	47
Advances to suppliers	200	54
Other advances	28	70
Others		
Deferred contract cost (refer note 2.18)	19	40
Prepaid expenses	651	1,435
Prepaid expenses - related parties (refer note 2.29)	35	16
Goods and service tax receivable	316	394
	1,295	**2,086**
Unsecured , considered doubtful		
Advances other than capital advances		
Advances to employees	32	34
Other advances	214	235
Less: Provision for doubtful advances	(246)	(269)
	-	-
	1,295	**2,086**

HCL Comnet Limited

Notes to financial statements for the year ended 31 March 2020

(All amounts in lakhs of ₹ except share data and as stated otherwise)

2.11 Share Capital

	As at	
	31 March 2020	**31 March 2019**
Authorized		
1,100,000 (31 March 2019, 1,100,000) equity shares of Rs 10 each	110	110
Issued, subscribed and fully paid up		
949,900 (31 March 2019, 949,900) equity shares Rs 10 each	95	95

Terms/ rights attached to equity shares

The Company has only one class of shares referred to as equity shares having a par value of Rs 10/-. Each holder of equity shares is entitled to one vote per share.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive the remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period

	As at			
	31 March 2020		**31 March 2019**	
	No. of shares	₹ in lakhs	No. of shares	₹ in lakhs
Number of shares at the beginning	949,900	95	949,900	95
Add: Shares issued during the year	-	-	-	-
Number of shares at the end	949,900	95	949,900	95

Details of shares held by the holding/ultimate holding company and/or their subsidiaries/associates

	As at			
	31 March 2020		**31 March 2019**	
	No. of shares	% holding in the class	No. of shares	% holding in the class
HCL Technologies Limited				
Equity shares of ` 10 each fully paid	949,900	100%	949,900	100%

Details of shareholders holding more than 5 % shares in the company:-

Name of the shareholder	As at			
	31 March 2020		**31 March 2019**	
	No. of shares	% holding in the class	No. of shares	% holding in the class
Equity shares of ` 10 each fully paid				
HCL Technologies Limited	949,900	100%	949,900	100%

As per the records of the Company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

There are no bonus shares issued and no shares brought back during the five years immediately preceding the reporting date.

(All amounts in lakhs of ₹ except share data and as stated otherwise)

Capital management

The primary objective of the Company's capital management is to support business continuity and growth of the Company while maximizing the shareholder value. The Company determines the capital requirement based on annual operating plans and long term and other strategic investment plans. The funding requirements are generally met through operating cash flows generated.

2.12 Borrowings

	Non-current		Current	
	As at		As at	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Secured				
From banks	11	22	7	11
Long term loans (refer note 1 below)				
Unsecured				
From others				
Other loans (refer note 2 below)	-	304	307	593
	11	**326**	**314**	**604**
Amount disclosed under Note 2.16 "Other financial liabilities"	**-**	**-**	**(314)**	**(604)**
	11	**326**	**-**	**-**

Note:-

1. The Company has availed of a term loan of ₹ 18 lakh (2019, ₹ 33 lakh) against gross block of ₹ 56 lakh (Previous year ₹ 73 Lakh) at variable interest rates ranging from 8.15 % to 9.45%. The loans are repayable over a period of 5 years on monthly basis.

2. The other long term debts of ₹ 307 lakh (Previous year ₹ 898 Lakh represents loan taken for purchase of plant and machinery and annual maintenance cost at 0% p.a. rate of interest. The loan is repayable till October 2020 on quarterly/yearly rest.

2.13 Provisions

	As at	
	31 March 2020	31 March 2019
Non - Current		
Provision for employee benefits		
Provision for gratuity (refer note 2.30)	297	288
Provision for leave benefits	91	91
	388	**379**
Current		
Provision for employee benefits		
Provision for gratuity (refer note 2.30)	156	128
Provision for leave benefits	56	49
	212	**177**

2.14 Other non-current liabilities

	As at	
	31 March 2020	31 March 2019
Contract liablities (refer note 2.18)	144	245
	144	**245**

2.15 Trade payables

	As at	
	31 March 2020	**31 March 2019**
Trade payables	434	423
Trade payables-related parties (refer note 2.29)	655	414
	1,089	**837**

2.16 Other financial liabilities

	As at	
	31 March 2020	**31 March 2019**
Current		
Current maturities of long term borrowings	314	604
Deposits from customers	220	1,332
Accrued salaries and benefits		
Employee bonuses accrued	460	544
Other employee costs	178	182
Others		
Liabilities for expenses	3,652	4,114
Liabilities for expenses - related party (refer note 2.29)	202	112
Other payables-related party (refer note 2.29)	-	138
Capital accounts payables	113	145
Supplier credit	272	881
Supplier credit - related party (refer note 2.29)	858	226
	6,269	**8,278**

2.17 Other current liabilities

	As at	
	31 March 2020	**31 March 2019**
Contract liability(refer note 2.18)	1,663	1,618
Contract liability-related party (refer note 2.18 and 2.29)	-	8
Other Advances		
Advances received from customers	2,599	2,022
Goods and service tax payable	818	933
Withholding and other taxes payable	53	113
	5,133	**4,694**

2.18 Revenue from operations

	Year ended	
	31 March 2020	**31 March 2019**
Sale of services	9,065	16,721
Sale of hardware and software	72	1,079
	9,137	**17,800**

HCL Comnet Limited

Notes to financial statements for the year ended 31 March 2020

(All amounts in lakhs of ₹ except share data and as stated otherwise)

2.18 Revenue from operations (continued)

Disaggregate revenue information

	Year ended 31 March 2020	Year ended 31 March 2019
Contract type		
Fixed price	6,029	12,611
Time and material	3,108	5,189
Total	**9,137**	**17,800**
Geography wise		
India	9,137	17,800
Total	**9,137**	**17,800**

Remaining performance obligations

As at 31 March 2020, the aggregate amount of transaction price allocated to remaining performance obligations as per the requirements of Ind AS 115 was 5,062 lacs out of which approximately 34.69% is expected to be recognized as revenues within one year and the balance beyond one year. This is after exclusion of below :

a) Contracts for which we recognize revenue based on the right to invoice for services performed,

b) Variable consideration allocated entirely to a wholly unsatisfied performance obligation or to a wholly unsatisfied promise to transfer a distinct good or service that forms part of single performance.

c) Variable consideration in the form of sales-based or usage based royalty promised in exchange for a license.

Contract liabilities: A contract liability arises when there is excess billing over the revenue recognize.

The below table discloses the significant movement in contract liabilities:

	Year ended	
	31 March 2020	31 March 2019
Balance as at 1 April 2019	1,871	4,869
Additional cost capitalized during the year	3,110	851
Deduction on account of cost amortized during the year	(3,174)	(3,849)
Balance as at 31 March 2020	**1,807**	**1,871**

Deferred contract cost: Deferred contract cost represents the contract fulfilment cost and cost for obtaining the contract.

The below table discloses the significant movement in deferred contract cost:

	Year ended	
	31 March 2020	31 March 2019
Balance as at 1 April 2019	106	1,054
Additional cost capitalized during the year	19	532
Deduction on account of cost amortized during the year	(106)	(1,480)
Balance as at 31 March 2020	**19**	**106**

The Company has evaluated the impact of COVID-19 resulting from (a) increase in cost budget of fixed price projects due to additional efforts; (c) penalties for not meeting SLAs; (d) volume discounts; (e) termination/deferment of projects to ensure that revenue is recognised after considering all these impacts to the extent known and available currently. We would continue to assess COVID-19 impact as we go along due to uncertainties associated with its nature and duration.

2.19 Other income

	Year ended	
	31 March 2020	31 March 2019
Interest income		
- on loan	80	-
- on income tax refund	1,106	-
- on financial assets carried at amortized cost	581	145
Income on investments carried at fair value through profit and loss		
- Unrealized gains(loss) on fair value changes on mutual funds	120	(57)
- Profit on sale of mutual funds	759	1,175
Provision for doubtful debts written back	-	237
Provisions no longer required written back (net)	-	151
Exchange difference (net)	62	-
Profit on sale of fixed assets	-	7
Miscellaneous income	(2)	68
	2,706	**1,726**

2.20 Changes in inventories of traded goods

	Year ended	
	31 March 2020	31 March 2019
Opening stock	20	631
Closing stock	100	20
	(80)	**611**

2.21 Employee benefits expense

	Year ended	
	31 March 2020	31 March 2019
Salaries, wages and bonus	3,661	5,293
Contribution to provident fund and other employee funds	147	354
Staff welfare expenses	29	52
	3,837	**5,699**

2.22 Finance cost

	Year ended	
	31 March 2020	31 March 2019
Interest		
-on loans from banks	5	6
-lease liability	57	-
-others	53	14
Bank charges	7	13
	122	**33**

HCL Comnet Limited

Notes to financial statements for the year ended 31 March 2020

(All amounts in lakhs of ₹ except share data and as stated otherwise)

2.23 Other expenses

	Year ended	
	31 March 2020	**31 March 2019**
Rent	317	679
Power and fuel	191	161
Insurance	8	16
Repairs and maintenance		
- Plant and machinery	32	10
- Buildings	271	134
- Others	187	252
Communication costs	73	50
Travel and conveyance	166	371
Legal and professional charges	82	66
Software license fee	331	309
Rates and taxes	9	89
Loss on sale of fixed assets	3	-
CSR expenditure (refer note 2.34)	28	13
Exchange difference (net)	-	47
Provision for doubtful debts/ bad debts written off	337	-
Impairment of invetment in subsidary	235	-
Miscellaneous expenses	72	222
	2,342	**2,419**

2.24 Income taxes

	Year ended	
	31 March 2020	**31 Mar 2019**
Income tax charged to statement of profit and loss		
Current income tax charge	141	1,525
Deferred tax charge (credit)	603	525
	744	**2,050**
Income tax charged to other comprehensive income		
Expense (benefit) on re-measurements of defined benefit plans	30	(22)
	30	**(22)**

The reconciliation between the Company's provision for income tax and amount computed by applying the statutory income tax rate in India is as follows:

	Year ended	
	31 March 2020	**31 March 2019**
Profit before income tax	277	3,301
Statutory tax rate in India	27.82%	34.94%
Expected tax expense	**77**	**1,154**
Income tax at lower/ higher rates	592	-
True up of Prior period provision	19	28
Provision created on TDS of earlier year	-	849
Other permanent differences	66	-
Others	(10)	19
Total taxes	**744**	**2,050**
Effective tax rate	**269%**	**62%**

Beginning with current year, corporate taxpayers can opt for a specified lower tax rate in lieu of current applicable tax rate subject to taxpayers not claiming any specified tax incentives including carryover of unutilized MAT credit.The Company has not evaluated the concessional tax rate on a stand-alone basis because it is in the process of merger as specified in note 1(a).

(All amounts in ₹ except share data and as stated otherwise)

2.24 Income taxes (continued.)

Components of deferred tax assets and liabilities as on 31 March 2020

	Opening balance	Recognized in profit and loss	Recognised in / reclassified from OCI	Closing balance
Deferred tax assets				
Provision for doubtful debts	1,392	(191)	-	1,201
Accrued employee costs	50	(13)	-	37
Depreciation and amortization	858	(242)	-	616
Bonus	134	(4)	-	130
Gratuity	145	(20)	-	125
Others	281	(36)	-	245
MAT	357	(74)	-	283
Gross deferred tax assets (A)	**3,217**	**(580)**	**-**	**2,637**
Deferred tax liabilities				
Gratuity	86	-	(30)	56
Unrealized gain on mutual funds	44	24	-	68
Others	3	(1)	-	2
Gross deferred tax liabilities (B)	**133**	**23**	**(30)**	**126**
Net deferred tax assets (A-B)	**3,084**	**(603)**	**30**	**2,511**

Components of deferred tax assets and liabilities as on 31 March 2019

	Opening balance	Recognized in profit and loss	Recognised in / reclassified from OCI	Closing balance
Deferred tax assets				
Provision for doubtful debts	1,487	(95)	-	1,392
Accrued employee costs	84	(34)	-	50
Depreciation and amortization	982	(124)	-	858
Bonus	137	(3)	-	134
Gratuity	209	(64)	-	145
Others	608	(327)	-	281
MAT credit entitlement	262	95	-	357
Gross deferred tax assets (A)	**3,769**	**(552)**	**-**	**3,217**
Deferred tax liabilities				
Gratuity	64	-	22	86
Unrealized gain on mutual funds	64	(20)	-	44
Others	10	(7)	-	3
Gross deferred tax liabilities (B)	**138**	**(27)**	**22**	**133**
Net deferred tax assets (A-B)	**3,631**	**(525)**	**(22)**	**3,084**

The Company is involved in various lawsuits, claims and proceedings that arise in the ordinary course of business, the outcome of which is inherently uncertain. Some of these matters include speculative and frivolous claims for substantial or indeterminate amounts of damages. The Company records a liability when it is both probable that a loss has been incurred and the amount can be reasonably estimated. Significant judgment is required to determine both probability and the estimated amount. The Company reviews these provisions at least quarterly and adjusts these provisions accordingly to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, and updated information. The Company believes that the amount or estimable range of reasonably possible loss, will not, either individually or in the aggregate, have a material adverse effect on its business, financial position, results of the Company, or cash flows with respect to loss contingencies for legal and other contingencies as at 31 March 2020.

HCL Comnet Limited

Notes to financial statements for the year ended 31 March 2020

(All amounts in lakhs of ₹ except share data and as stated otherwise)

2.25 Components of other comprehensive income

	Year ended	
	31 March 2020	**31 March 2019**
Items that will not be reclassified to statement of profit and loss		
Retained earnings(Actuarial gain relating to defined benefit plan)		
Opening Balance (net of tax)	160	120
Actuarial gains	(45)	62
Income tax benefit(expense)	30	(22)
Closing balance net of tax	**145**	**160**

2.26 Earnings per share

	Year ended	
	31 March 2020	**31 March 2019**
Net profit(loss) as per statement of profit and loss for computation of EPS	(467)	1,251
Weighted average number of shares outstanding in calculating basic EPS	949,900	949,900
Weighted average number of shares outstanding in calculating dilutive EPS	949,900	949,900
Nominal value of equity shares in `	10	10
Earnings per equity share (in ₹)		
- Basic	(49.16)	131.70
- Diluted	(49.16)	131.70

2.27 Leases

(a) As a lessee

The Company's significant leasing arrangements are in respect of leases for office spaces.

Detail of right-of-use asset held by the company is as follows :

	Building
Balance as at 1 April 2019	-
Transition impact of Ind AS 116 (refer note 1(j))	854
Depreciation charge for the year	(286)
Derecognition	(4)
Balance as at 31 March 2020	**564**

The reconciliation of lease liablity is as follows :

	Total
Balance as at 1 April 2019	-
Transition Impact of Ind AS 116 (refer note 1(j))	844
Amount recognized in profit & loss as expense	57
Payment of lease liablity	(319)
Derecognition	(4)
Balance as at 31 March 2020	**578**

(All amounts in lakhs of ₹ except share data and as stated otherwise)

2.27 Leases (continued.)

The lease rental expense relating to short-term leases recognized in the statement of profit and loss for the year amounted to ₹ 317 lakhs

The following table shows present maturity analysis of expected undiscounted cash flow for lease liability as on 31 March 2020 :-

	As at March 2020
Within one year	275
One to two year	362
Total lease payment	**637**
Imputed Interest	59
Total lease liability	**578**

Certain Lease agreements include options to terminate or extend the leases. The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Most of the lease entered by the company are long term in nature and the underlying leased properties is being used as office. The company doesn't foresee any major changes in lease terms or the leases in the foreseeable future as per current business projections after considering the impact of COVID - 19.

During the previous year ended 31 March 2019, the aggregate lease rental expense recognized in the statement of profit and loss as per Ind AS 17 amounted to ₹ 679 lakh and the lease equalization amount for non-cancellable operating lease payable in future years and accounted for by the company was ₹ 17 lakh.

Future minimum lease payments and the payment profile of non-cancellable operating leases as per Ind AS 17 as on 31 March 2019 are as follows:

	Total
Not later than one year	361
Later than one year and not later than 5 years	637
	998

(b) As a leassor

The Company has given networking equipment to its customer on financial lease basis. The future lease receivable in respect of asset given on finanace lease are as follows :-

	Total minimum lease payment outstanding	**Interest included in the minimum lease payment**	**Present Value minimum lease payment**
As on 31 March 2020			
Not later than one year	531	74	457
Later than one year but not later than 5 year	593	66	527
	1,124	**140**	**984**
As on 31 March 2019			
Not later than one year	868	147	721
Later than one year but not later than 5 year	1,265	140	1,125
	2,133	**287**	**1,846**

2.28 Financial instruments

(a) Financial assets and liabilities

The carrying value of financial instruments by categories as at 31 March 2020 is as follows:

	Fair value through profit and loss	Amortized cost	Total carrying value
Financial assets			
Investments (other than in subsidiary)	19,937	-	19,937
Trade receivables	-	3,265	3,265
Cash and bank balances	-	193	193
Loans	-	5,498	5,498
Others (refer note 2.4)	-	1,580	1,580
Total	**19,937**	**10,536**	**30,473**
Financial liabilities			
Borrowings	-	11	11
Trade payables	-	1,089	1,089
Lease liabilities	-	578	578
Others (refer note 2.16)	-	6,269	6,269
Total	**-**	**7,947**	**7,947**

The carrying value of financial instruments by categories as at 31 March 2019 is as follows:

	Fair value through profit and loss	Amortized cost	Total carrying value
Financial assets			
Investments (other than in subsidiary)	11,839	-	11,839
Trade receivables	-	4,726	4,726
Cash and bank balances	-	513	513
Loans	-	7,500	7,500
Others (refer note 2.4)	-	2,456	2,456
Total	**11,839**	**15,195**	**27,034**
Financial liabilities			
Borrowings	-	326	326
Trade payables	-	837	837
Others (refer note 2.16)	-	8,278	8,278
Total	**-**	**9,441**	**9,441**

Fair value hierarchy

The following table discloses the assets and liabilities measured at fair value on a recurring basis as at 31 March 2020 and the basis for that measurement:

	Fair value	Level 1 inputs	Level 2 inputs	Level 3 inputs
Assets				
Investments carried at fair value through profit and loss	19,937	19,937	-	-

There have been no transfers between Level 1 and Level 2 during the year.

The following table discloses the assets and liabilities measured at fair value on a recurring basis as at 31 March 2019 and the basis for that measurement:

	Fair value	Level 1 inputs	Level 2 inputs	Level 3 inputs
Assets				
Investments carried at fair value through profit and loss	11,839	11,839	-	-

There have been no transfers between Level 1 and Level 2 during the year.

Valuation methodologies

Investments: The Company's investments consist primarily of investment in debt linked mutual funds. Fair values of investment securities classified as fair value through profit and loss are determined using quoted prices for identical assets or liabilities in active markets and are classified as Level 1.

The Company assessed that fair value of cash, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Financial assets measured using level 1 inputs primarily include investment in mutual funds and the fair value being marked to an active market which factors the impact of COVID-19, we do not expect material volatility in these financial assets

(b) Financial risk management

The Company is exposed to market risk, credit risk and liquidity risk which may impact the fair value of its financial instruments. The Company has a risk management policy to manage & mitigate these risks.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of currency risk and interest rate risk. The Company is primarily exposed to fluctuation in foreign currency exchange rates.

(i) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in exchange rates. The Company's exposure to the risk of changes in exchange rates relates primarily to the Company's operations.

The fluctuation in exchange rates in respect to the indian Rupee may not have potential impact on the statement of profit and loss and other comprehensive income and equity.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's investments are primarily in fixed rate interest bearing investments. Hence the Company is not significantly exposed to interest rate risk.

Credit risk

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash and bank equivalents, trade receivables, unbilled revenue, finance lease receivables and investment in mutual fund. The cash resources of the Company are invested with mutual funds, banks and financial institutions after an evaluation of the credit risk. By their nature, all such financial instruments involve risks, including the credit risk of non-performance by counterparties.

The customers of the Company are primarily corporations based in India and accordingly, trade receivables and finance lease receivables are concentrated in India. The Company periodically assesses the financial reliability of customers, taking into account the financial condition, current economic trends, analysis of historical bad debts and ageing of trade receivables.

The allowance for lifetime expected credit loss on customer balances is as below:

	As at	
	31 March 2020	**31 March 2019**
Balance at the beginning of the year	3,702	3,945
Additional provision during the year	589	419
Effect of exchange rate changes	-	(7)
Deductions on account of write offs and collections	252	655
Balance at the end of the year	**4,039**	**3,702**

Trade receivables have been valued after making reserves for allowances based on expected credit loss method, considering factors like ageing, likelihood of increased credit risk and expected realizability, nature of customer verticals, considering impact of COVID-19 on customers and related customer verticlas.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with financial liabilities. The investment philosophy of the Company is capital preservation and liquidity in preference to returns. The Company consistently generates sufficient cash flows from operations and has access to multiple sources of funding to meet the financial obligations and maintain adequate liquidity for use.

Maturity profile of the Company's financial liabilities based on contractual payments is as below:

	Year 1 (Current)	Year 2	Year 3	Year 4-5 and there after	Total
As at 31 March 2020					
Borrowings	9	6	4	2	20
Trade payable	1,089	-	-	-	1,089
Lease liability	275	362	-	-	637
Others	6,269	-	-	-	6,269
Total	**7,642**	**368**	**4**	**2**	**8,015**
As at 31 March 2019					
Borrowings	13	11	8	5	38
Trade Payable	837	-	-	-	837
Other Financial liablities	8,278	-	-	-	8,278
Total	**9,128**	**11**	**8**	**5**	**9,153**

2.29 Related party transactions

a) Holding Company
HCL Technologies Limited

b) Subsidiary
HCL Training and Staffing Services Private Limited, Subsidiary

c) Related parties with whom transactions have taken place during the year

Fellow subsidiaries
HCL Technologies Solutions Limited (HCL EAI Services Limited)
HCL Comnet Systems and Services Limited
Concept2Silicon Systems Private Limited

Non executive directors
Poornima Savargaonkar
Renu Kawatra

Others (significant influence)
HCl Avitas Private Limited
HCL Infosystems Limited

HCL Comnet Limited

Notes to financial statements for the year ended 31 March 2020

(All amounts in lakhs of ₹ except share data and as stated otherwise)

Transactions with related parties during the normal course of business	Holding company		Fellow subsidiaries		Subsidiary		Significant influence	
	Year ended		Year ended		Year ended		Year ended	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Revenues	3,149	4,690	-	1	-	-	-	26
Interest Income	-	-	80	-	-	-	-	-
Outsourcing cost	-	-	-	-	-	-	256	275
Other expenses	-	-	-	-	-	-	8	1
Interest on supplier credit	-	-	-	-	-	-	21	14
Payment for use of facilities	366	301	-	-	-	-	22	66
Receipt for use of facilities	-	-	17	26	-	-	-	12
Reimbursement of expenses paid	8	14	-	-	-	-	-	-
Interest expense on lease liablity	-	-	-	-	-	-	1	-
Depriciation charge on right-of-use-of-asset	-	-	-	-	-	-	36	-

Transactions with Directors during the year	Year ended	
	31 March 2020	31 March 2019
Commission & other benefits to Directors (includes sitting fees)	10	8

Outstanding balances	Holding company		Fellow subsidiaries		Subsidiaries		Significant influence	
	As at		As at		As at		As at	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Trade receivables	868	1,147	27	6	-	-	6	8
Trade payables	439	229	203	185	1	1	12	-
Other payables	-	-	-	138	-	-	-	-
Contract liabilities	-	8	-	-	-	-	-	-
Unbilled receivables	359	313	4	-	-	-	-	12
Receivables for expenses	11	45	4	2	-	-	-	-
Liabilities for expenses	201	97	-	-	-	-	1	15
Supplier credit	-	-	-	-	-	-	858	226
Loan to subsidiary	-	-	1,500	-	-	-	-	-
Interest receivable	-	-	72	-	-	-	-	-
Prepaid expenses	-	8	-	-	-	-	35	8

(All amounts in lakhs of ₹ except share data and as stated otherwise)

2.30 Employee benefits

A. Defined contribution plans and state plans

The Company has calculated the various benefits provided to employees as given below:
Employer's contribution to Employee State Insurance
Employer's contribution to Employee Pension Scheme

During the year, the Company has recognized the following amounts in the statement of profit and loss:-

	Year ended	
	31 March 2020	**31 March 2019**
Employer's contribution to Employee's State Insurance	15	38
Employer's contribution to Employee's Pension Scheme	73	105
Total	**88**	**143**

B. Defined benefit plans

a) Gratuity
b) Employer's contribution to provident fund

Gratuity

The following table sets out the status of the gratuity plan:

	Year ended	
	31 March 2020	**31 March 2019**
Current service cost	40	88
Interest cost	24	42
Net benefit expense	**64**	**130**

Balance sheet

	Year ended	
	31 March 2020	**31 March 2019**
Defined benefit obligations	453	416
Fair value of plan assets	-	-
	453	416
Less: Unrecognized past service cost	-	-
Net plan liability	453	416
Current defined benefit obligations	156	128
Non-current defined benefit obligations	297	288

HCL Comnet Limited

Notes to financial statements for the year ended 31 March 2020

(All amounts in lakhs of ₹ except share data and as stated otherwise)

Changes in present value of defined benefit obligations

	Year ended	
	31 March 20120	**31 March 2019**
Opening defined benefit obligations	416	598
Current service cost	40	88
Interest cost	24	42
Re-measurement gains (losses) in OCI		
Actuarial changes arising from changes in demographic	-	(1)
Actuarial changes arising from changes in financial assumptins	31	12
Experience adjustments	15	(73)
Benefits paid	(73)	(250)
Closing defined benefit obligations	**453**	**416**

The actuarial assumptions used in determining gratuity for the Company's plan are shown below:-

	Year ended	
	31 March 2020	**31 March 2019**
Discount rate	5.60%	6.85%
Estimated rate of salary increase	8.00%	7.00%
Employee turnover	49.00%	39.00%
Expected rate of return on assets	NA	NA

The estimates of future salary increase, considered in actuarial valuation, take account of inflation, seniority, promotion, and other relevant factors, such as supply and demand in the employment market.

Discount rate and future salary escalation rate are the key actuarial assumptions to which the defined benefit obligations are particularly sensitive. The following table summarizes the impact on defined benefit obligations as at 31 March 2020 arising due to to increase/ decrease in key actuarial assumptions by 50 basis points.

	Discount Rate	**Salary escalation rate**
Impact of increase	(7)	(7)
Impact of decrease	8	7

The sensitivity analysis presented may not be representative of the actual changes in the defined benefit obligations as sensitivities have been calculated to show the movement in defined benefit obligations in isolation and assuming there are no other changes in the market conditions.There have been no changes in the methods and assumptions used in preparing the sensitivity analysis.

The defined benefit obligations are expected to mature after 31 March 2020 as follows:-

Year ending 31 March,	**Cash flows**
-2021	163
-2022	129
-2023	99
-2024	79
-2025	67
Thereafter	286

The weighted average duration of these cash flows is 3.31 years.

Employer's contribution to provident fund

The Company contributes to HCL Comnet Systems and Services Limited and HCL Comnet Limited Employee Trust which is maintained jointly by HCL Comnet Systems and Services Limited and HCL Comnet Limited. The disclosure of plan assets cannot be provided as the plan assets are not attributable to its participants. The actuary has provided a valuation and based on the assumption mentioned below there is no shortfall as at 31 March 2020 and 31 March 2019.

Assumptions used in determining the present value of obligations of interest rate guarantee under the Deterministic

	As at	
	31 March 2020	31 March 2019
Government of India bond yield	5.60%	6.85%
Remaining term of maturity	6.35 years	6.35 years
Expected guaranteed interest rate	8.50%	8.65%

During the year ended 31 March 2020, the Company has contributed ₹ 57 lakhs (31 March 2019, ₹ 80 lakhs) towards employers contribution to provident fund.

2.31 Commitments

	Year ended	
	31 March 2020	31 March 2019
i) Capital and other commitments		
Capital commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	-	9
	-	**9**

2.32 Payment to auditors

	Year ended	
	31 March 2020	31 March 2019
Audit fees	13	19
Taxation matters	4	5
	17	**24**

2.33 Micro and small enterprises

As per information available with the management, the dues payable to enterprises covered under "The Micro, Small and Medium Enterprises Development Act, 2006" are as follows:

	For the year ended 31 March 2020		For the year ended 31 March 2019	
	Principal	Interest	Principal	Interest
Amount due to Vendor	-	-	12	-
Principal amount paid beyond the appointed date	-	-	-	-
Interest under normal credit terms				
Accrued and unpaid during the year	-	-	-	-
Total interest payable				
Accrued and unpaid during the year	-	-	-	-

This has been determined on the basis of responses received from vendors on specific confirmation sought by the Company.

2.34 Corporate social responsibility

As required by the Companies Act, 2013, the gross amount required to be spent by the Company on CSR activities is ₹ 28 lakhs (31 March 2019 ₹ 13 lakhs) and the amount spent during the year is ₹ 28 lakhs (31 March 2019, ₹ 13 lakhs).

2.35 Segment reporting

In the opinion of the management, networking solutions is the only business segment of the Company and the Company operates in a single geographical segment and hence there are no reportable segments as envisaged in Ind AS notified under section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules. Accordingly, no disclosure for segment reporting have been included in the financial statements.

2.36 Subsequent events

The Company has evaluated all the subsequent events through 10 July 2020, which is the date on which these financial statements were issued, and no events have occurred from the balance sheet date through that date except for matters that have already been considered in the financial statements.

As per our report of even date

FOR B S R & Co. LLP
Chartered Accountants
Firm's Registration No.: 101248W/W-100022

ANURAG KUMAR MAHESHWARY
Digitally signed by ANURAG KUMAR MAHESHWARY
Date: 2020.07.10 19:15:27 +05'30'

Anurag Maheshwary
Partner
Membership Number: 506533

Gurugram, India
Date: 10 July 2020

For and on behalf of the Board of Directors
of HCL Comnet Limited

PRAHLAD RAI BANSAL
Digitally signed by PRAHLAD RAI BANSAL
Date: 2020.07.10 15:41:06 +05'30'

Prahlad Rai Bansal
Director

ATUL KUMAR JAIN
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Date: 2020.07.10 15:42:08 +05'30'

Atul Kumar Jain
Director

Noida (UP), India
Date: 10 July 2020