HCL America Solutions Inc.

FINANCIAL STATEMENTS

For the year ended 31 March 2020 and 31 March 2019

HCL America Solutions Inc.
Balance Sheet as at 31 March 2020
(Amount in lakhs, except share and per share data)

	Note No.	As at 31 March 2020 (USD)	As at 31 March 2019 (USD)	As at 31 March 2020 (Refer note 1 (a)) (₹)
I. ASSETS				
(1) Non-current assets				
(a) Property, plant and equipment	2.1	-	-	4
(b) Other intangible assets	2.2	-	-	36
(c) Deferred tax assets (net)	2.21	15	1	1,126
		15	1	1,167
(2) Current assets				
(a) Financial assets				
(i) Trade receivables	2.3	332	363	25,100
(ii) Cash and cash equivalents	2.4	14	26	1,028
(iii) Loans	2.5	-	-	2
(iv) Unbilled Receivables	2.6	36	21	2,706
(v) Other Financial Assets	2.7	1	3	67
(b) Other current assets	2.8	35	27	2,617
TOTAL ASSETS		431	441	32,687
II. EQUITY				
(a) Equity share capital	2.9	-	-	8
(b) Other equity		18	5	1,393
Equity attributable to shareholders of the Company		18	5	1,402
TOTAL EQUITY		18	5	1,402
III LIABILITIES				
(1) Non - current liabilities				
(a) Other Non- Current liabilities	2.13	-	2	-
(2) Current liabilities				
(a) Financial Liabilities				
(i) Borrowings	2.10	40	33	3,027
(ii) Trade payables	2.11	277	326	20,969
(iii) Other financial liabilities	2.12	43	15	3,271
(b) Other current liabilities	2.13	48	54	3,667
(c) Provisions	2.14	5	-	349
(d) Current Tax Liabilities (Net)		0	6	2
TOTAL EQUITY AND LIABILITIES		431	441	32,687
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
Firm's Registration No.: 101248W/W-100022
Chartered Accountants

Rakesh Dewan Digitally signed by Rakesh Dewan Date: 2020.09.15 23:25:17 +05'30'

Rakesh Dewan
Partner
Membership Number: 092212

Gurugram, India
Date: 15 September 2020

For and on behalf of the Board of Directors of HCL America Solutions Inc.

C. Vijayakumar Digitally signed by C. Vijayakumar Date: 2020.09.15 22:24:11 +05'30'

C. Vijayakumar
Director

Prateek Aggarwal Digitally signed by Prateek Aggarwal Date: 2020.09.15 21:34:37 +05'30'

Prateek Aggarwal
Director

Date: 15 September 2020

HCL America Solutions Inc.
Statement of Profit and Loss for the year ended 31 March 2020
(Amount in lakhs, except share and per share data)

		Note No.	Year ended 31 March 2020 (USD)	Year ended 31 March 2019 (USD)	Year ended 31 March 2020 (Refer note 1 (a)) (₹)
I	**Revenue**				
	Revenue from operations	2.15	916	1,255	69,310
	Other income	2.16	-	1	27
	Total Income		916	1,256	69,337
II	**Expenses**				
	Purchase of stock-in-trade		24	16	1,779
	Employee benefits expense	2.17	202	-	15,292
	Finance costs	2.18	1	1	74
	Depreciation and amortisation expense	2.1 & 2.2	1	-	40
	Outsourcing costs	2.19	665	1,226	50,281
	Other expenses	2.20	7	5	553
	Total Expenses		899	1,248	68,019
III	**Profit before tax**		17	8	1,291
IV	**Tax Expense**				
	Current tax	2.21	19	(1)	1,440
	Deferred tax charge (credit)		(14)	2	(1,079)
	Total tax expense		5	1	361
V	**Profit for the year**		12	7	930
VI	**Other comprehensive income**		-	-	-
	Items that will not be reclassified to profit & loss		-	-	-
	Items that will be reclassified subsequently to profit & loss		-	-	-
VII	**Total other comprehensive income**		-	-	-
VIII	**Total comprehensive income for the year**		12	7	930
	Earnings per equity share of par value USD 1000 each	2.24			
	Basic		122,864	70,508	9,296,536
	Diluted		122,864	70,508	9,296,536
	Summary of significant accounting policies	1			

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Director

Date: 15 September 2020

HCL America Solutions Inc.
Statement of changes in equity for the year ended 31 March 2020
(Amount in lakhs, except share and per share data)

USD

Particulars	Equity share capital		Other equity	
	Shares	Share capital	Reserves and Surplus	
			Retained earnings	Total
Balance as at 1 April 2018	10	0	(2)	(2)
Profit for the year			7	7
Total comprehensive income for the year			7	7
Balance as at 31 March 2019	**10**	**0**	**5**	**5**
Balance as at 1 April 2019	10	0	5	5
Profit for the year			12	12
Total comprehensive income for the year			12	12
Balance as at 31 March 2020	10	0	18	18

(₹)

Particulars	Equity share capital		Other equity	
	Shares	Share capital	Reserves and Surplus	
			Retained earnings	Total
Balance as at 1 April 2019	10	8	437	437
Profit for the year			957	957
Other Comprehensive Income			-	-
Total comprehensive income for the year			957	957
Balance as at 31 March 2020 (Amount in (₹))	10	8	1,394	1,394

Summary of significant accounting policies **1**

The accompanying notes are an integral part of the financial statements

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Rakesh Dewan Digitally signed by Rakesh Dewan Date: 2020.09.15 23:26:38 +05'30'
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Date: 15 September 2020

For and on behalf of the Board of Directors
of HCL America Solutions Inc.

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Prateek Aggarwal
Director

Date: 15 September 2020

HCL America Solutions Inc.
Statement of Cash flows
(Amount in lakhs, except share and per share data)

	Year ended 31 March 2020 (USD)	Year ended 31 March 2019 (USD)	Year ended 31 March 2020 (Refer note 1 (a)) (₹)
A Cash flows from operating activities			
Profit before tax	17	8	1,318
Adjustment for:			
Depreciation and amortization	1	-	40
Interest expenses	1	1	72
Provision for doubtful debts/(Bad debts written back)	1	3	109
Operating profit before working capital changes	21	12	1,547
Movement in working capital :			
Increase in trade receivables	30	55	2,286
(Increase) /decrease in other financial assets and other assets	(20)	50	(1,535)
Decrease in trade payables	(49)	(38)	(3,671)
Increase /(decrease) in provisions, other financial liabilities and other liabilities	20	(50)	1,503
Cash generated from / (used in) operations	2	29	130
Direct taxes paid (net of refunds)	(19)	0	(1,440)
Net cash flow from / (used in) operating activities (A)	(17)	29	(1,309)
B Cash flows from investing activities			
Purchase of property, plant and equipment and intangibles, including capital work in progress and capital advances	(1)	-	(50)
Net cash (used in) investing activities (B)	(1)	-	(50)
C Cash flows from financing activities			
Proceeds from loans taken from group companies	15	25	1,137
Repayment of loans taken from group companies	(8)	(55)	(603)
Interest paid	(2)	(1)	(114)
Net cash flow from / (used in) financing activities (C)	5	(31)	420
Net increase /(decrease) in cash and cash equivalents (A+B+C)	(12)	(2)	(939)
Cash and cash equivalents at the beginning of the year	26	28	1,967
Cash and cash equivalents at the end of the period as per note 2.5	14	26	1,028

Summary of significant accounting policies (Note 1)

The accompanying notes are an integral part of the financial statements

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C. Vijayakumar
Director

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Date: 2020.09.15 21:37:30 +05'30'

Prateek Aggarwal
Director

Date: 15 September 2020

ORGANIZATION AND NATURE OF OPERATIONS

HCL America Solutions Inc., formally known as HCL Technologies Product Design Services Inc. (herein after referred to as "Company") was incorporated on June 26, 2012 having its registered office in 330, Potrero Ave, Sunnyvale in the state of California as HCL Technologies Product Design Services Inc., with the objective to provide product design services. Financial statements have been prepared for the period ended 31 March 2020. The name of the Company was changed on August 27, 2012 from HCL Technologies Product Design Services Inc. to HCL America Solutions Inc.

The financial statements for the year ended 31 March 2020 were approved and authorized for issue by the Board of Directors on 07 September 2020.

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 principle 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, 2015 (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 company is not domiciled in India and hence was not incorporated under Companies Act, 2013 or under any previous Company law in India. These financial statements have been prepared on the request of the Ultimate Holding Company to comply with the financial reporting requirement in India.

These financial statements have been prepared under the historical cost convention on an accrual and going concern basis except for certain financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments).

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.

The functional currency of the Company is USD. The translation from USD to ₹ is included solely for the convenience of readers in India and has been performed using rate of USD 1 = ₹ 75.67, the exchange rate prevailing as at the last day of the financial year. Such translation should not be construed as representation that the ` amount represents, or have been or could be converted into, USD at that or any other rate.

b) Use of estimates

The preparation of financial statements in conformity with Ind AS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs, expenses and other comprehensive income (OCI) that are reported and disclosed in the financial statements and accompanying notes. These estimates are based upon 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 allowance for uncollectible accounts receivable, income taxes, future obligations under the useful lives of property, plant and equipment. Changes in estimates are reflected in the financial statements in the period in which the changes are made. Actual results could differ from those estimates.

In view of pandemic relating to COVID-19, the company has considered and taken into account internal and external information and has performed sensitivity analysis based on current estimates in assessing the recoverability of receivables, unbilled receivables, other financial assets, impact on revenues and costs. However, the actual impact of COVID-19 on the company's financial statements may differ from that estimated and the company will continue to closely monitor any material changes to future economic conditions.

c) Foreign currency and translation

The financial statements of the Company are presented in its functional currency USD. For each foreign operation, the Company determines the functional currency which is its respective local 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 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. 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.

The translation of foreign operations from respective functional currency into INR (the reporting currency) for assets and liabilities is performed using the exchange rates in effect at the balance sheet date, and for revenue, expenses and cash flows is performed using an appropriate daily weighted average exchange rate for the respective years. The exchange differences arising on translation for consolidation are reported as a component of 'other comprehensive income (loss)'. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognized in the statement of profit and loss.

d) Fair value measurement

The Company records certain financial assets and liabilities at fair value on a recurring basis. The Company determines fair values 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, equity securities and derivatives, which must be measured using the guidance for fair value hierarchy and related valuation methodologies. The guidance of fair value 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 a Company 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 methodology.

c) Cost approach – Replacement cost method.

Certain assets are measured at fair value on a non-recurring basis. The assets consist primarily of nonfinancial assets such as goodwill and intangible assets. Goodwill and intangible assets recognized in business combinations are measured at fair value initially and subsequently when there is an indicator of impairment, the impairment is recognized.

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.

e) 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 defined, the contract has commercial substance and collectability of consideration is probable.

Time-and-material contracts

Revenue with respect to time-and-material, volume based and transaction based contracts is recognized as the related services are performed through efforts expended, volume serviced transactions are processed etc. that correspond with value transferred to customer till date which is related to our right to invoice for services performed.

Fixed Price contracts

Revenue related to fixed price contracts where performance obligations and control are satisfied over a period of time like technology integration, complex network building contracts, ERP implementations and Application development are recognized based on progress towards completion of the performance obligation using a cost-to-cost measure of progress (i.e., percentage-of-completion (POC) method of accounting). Revenue is recognized based on the costs incurred to date as a percentage of the total estimated costs to fulfill the contract. Any revision in cost to complete would result in increase or decrease in revenue and such changes are recorded in the period in which they are identified. Provisions for estimated losses, if any, on contracts-in-progress are recorded in the period in which such losses become probable based on the current contract estimates. Contract losses are determined to be the amount by which the estimated incremental cost to complete exceeds the estimated future revenues that will be generated by the contract and are included in cost of revenues and recorded in other accrued liabilities

Revenue related to other fixed price contracts providing maintenance and support services, are recognized based on our right to invoice for services performed for contracts in which the invoicing is representative of the value being delivered. If our invoicing is not consistent with value delivered, revenues are recognized as the service is performed based on the cost to cost method described above.

In arrangements involving sharing of customer revenues, revenue is recognized when the right to receive is established.

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.

Proprietary Software Products

Revenue from distinct proprietary perpetual license software is recognized at a point in time at the inception of the arrangement when control transfers to the client. Revenue from proprietary term license software is recognized at a point in time for the committed term of the contract. Revenue from support and subscription (S&S) is recognized over the contract term on a straight-line basis as the company is providing a service of standing ready to provide support, when-and-if needed, and is providing unspecified software upgrades on a when-and-if available basis over the contract term. In case software fare bundled with one year of support and subscription either for perpetual or term based license, such support and subscription contracts are generally priced as a percentage of the net fees paid by the customer to purchase the license and are generally recognized as revenues ratably over the contractual period that the support services are provided.

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 Company 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.
Revenue from certain activities in transition services in outsourcing arrangements are not capable of being distinct or

represent separate performance obligation. Revenues relating to such transition activities are classified as Contract liabilities and subsequently recognized over the period of the arrangement. Direct and incremental costs in relation to such transition activities which are expected to be recoverable under the contract are considered as contract fulfillment costs classified as Deferred contract cost and recognized over the period of arrangement. Certain upfront non-recurring incremental contract acquisition costs incurred in the initial phases of outsourcing contracts are deferred and recorded as Deferred contract cost and amortized, usually on a straight line basis, over the term of the contract unless revenues are earned and obligations are fulfilled in a different pattern. The undiscounted future cash flows from the arrangement are periodically estimated and compared with the unamortized costs. If the unamortized costs exceed the undiscounted cash flow, a loss is recognized.

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.

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.

Interest attributable to sales-type leases and direct financing leases included therein is recognized on an accrual basis using the effective interest method and is recognized as other income.

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 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 income tax assets and liabilities are recognized for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

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 income 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 period 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.

All other 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 period 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/period.

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

Asset description	**Asset life (in years)**
Computers and Networking Equipment	4-5

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. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

Intangible assets are amortized over the useful economic 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 period. 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 or loss when the asset is derecognized.

The intangible assets are amortized over the estimated useful life of the assets as under:

Asset description	**Asset life (in years)**
Software	3

i) Inventory

Stock in trade, stores and spares are valued at the lower of the cost or net realizable value. 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 identification of 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.

j) 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 assets exceeds the estimated recoverable amount of the asset.

k) Provisions and contingencies

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 judgment 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 ccurrence 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.

l) Retirement and other employee benefits

i. State plans: The Company has a saving and Investment Plan under Section 401(k) of the Internal Revenue Code of the United States of America. This is a defined contribution plan. Contributions are charged to Profit and Loss Account in the period in which they accrue.

ii. Compensated absences: The employees of the Company are entitled to compensated absences which are both accumulating and non-accumulating in nature. 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. Accumulated leave, which is expected to be utilized within the next 12 months, is treated as a short-term employee benefit and accumulated leave expected to be carried forward beyond twelve months is treated as a long-term employee benefit for measurement purposes. The expense on non-accumulating compensated absences is recognized in the period in which the absences occur. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred.

m) 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 capitalised 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 cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

n) 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.

(i) Financial assets

All financial assets are recognized initially at fair value. Transaction costs that are directly attributable to the acquisition of the 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 short-term deposits
Cash and short-term deposits 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 finance 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 receivables, trade and other receivables.

Financial instruments at Fair Value through 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 SPPI.

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 the other comprehensive income (OCI). On derecognition of the asset, cumulative gain or loss previously recognized in OCI is reclassified from OCI to statement of profit and loss.

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.

(ii) 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 and other payables, loans and borrowings.

After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest rate (EIR) method except for deferred consideration recognized in a business combination which is subsequently measured at fair value through profit and loss. 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.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis to realize the assets and settle the liabilities simultaneously.

o) Earnings per share (EPS)

Basic EPS amounts are computed by dividing the net profit attributable to the equity holders of the parent 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 parent 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 of the beginning of the period, unless issued at a later date. Dilutive potential equity shares are determined independently for each period presented.

2. Notes to financial statements

2.1 Property, Plant and Equipment

The changes in the carrying value for the year ended 31 March 2020 **(USD)**

Particulars	Computers	Office Equipment	Total
Gross Block as at 1 April 2019	**0**	**0**	**0**
Deletions	0	-	0
Gross Block as at 31 March 2020	**0**	**0**	**0**
Accumulated Depreciation as at 1 April 2019	**0**	**0**	**0**
Charge for the year	0	0	0
Deletions	0	-	0
Accumulated Depreciation as at 31 March 2020	**0**	**0**	**0**
Net Block as at 31 March 2020	**-**	**-**	**-**
Net Block as at 31 March 2019	**0**	**0**	**0**

(Note: Due to rounding off of balances, the amount is appeared as zero "-")

(₹)

Particulars	Computers	Office Equipment	Total
Gross Block as at 1 April 2019	9	2	11
Deletions	1	-	1
Gross Block as at 31 March 2020	**8**	**2**	**9**
Accumulated Depreciation as at 1 April 2019	**5**	**0**	**5**
Charge for the year	2	0	2
Deletions	1	-	1
Accumulated Depreciation as at 31 March 2020	**5**	**1**	**5**
Net Block as at 31 March 2020	**3**	**1**	**4**

The changes in the carrying value for the year ended 31 March 2019 **(USD)**

Particulars	Computers	Office Equipment	Total
Gross Block as at 1 April 2018	0	-	0
Additions	-	0	0
Gross Block as at 31 March 2019	**-**	**-**	**-**
Accumulated Depreciation as at 1 April 2018	0	-	0
Charge for the year	0	0	0
Accumulated Depreciation as at 31 March 2019	**0**	**0**	**0**
Net Block as at 31 March 2019	**-**	**-**	**-**

(Note: Due to rounding off of balances, the amount is appeared as zero "-")

2.2 Other Intangible assets

The changes in the carrying value for the year ended 31 March 2020 **(USD)**

Particulars	Software	Total
Gross Block as at 1 April 2019	1	**1**
Additions	1	1
Gross Block as at 31 March 2020	**2**	**2**
Accumulated Depreciation as at 1 April 2019	1	1
Charge for the year	1	1
Accumulated Depreciation as at 31 March 2020	**1**	**1**
Net Block as at 31 March 2020	**-**	**-**
Net Block as at 31 March 2019	**-**	**-**

(Note: Due to rounding off of balances, the amount is appeared as zero "-")

(₹)

Intangible Assets	Software	Total
Gross Block as at 1 April 2019	89	**89**
Additions	50	50
Gross Block as at 31 March 2020	**139**	**139**
Accumulated Depreciation as at 1 April 2019	**64**	**64**
Charge for the year	38	38
Accumulated Depreciation as at 31 March 2020	**103**	**103**
Net Block as at 31 March 2020	**36**	**36**

The changes in the carrying value for the year ended 31 March 2019 **(USD)**

Particulars	Software	Total
Gross Block as at 1 April 2018	1	1
Additions	-	-
Gross Block as at 31 March 2019	**1**	**1**
Accumulated Depreciation as at 1 April 2018	-	-
Charge for the year	-	-
Accumulated Depreciation as at 31 March 2019	**1**	**1**
Net Block as at 31 March 2019	**-**	**-**

The Company tests intangible assets for impairment when there is an indication for impairment. The Company has performed an evaluation of the amortization period and method for its intangible assets, along with intangible assets impairment testing considering the likely impact of COVID-19 on future cash flows and growth rates, along with subjecting these variables to sensitivity analysis considering impacted industry verticals and geographies.

2.3 Trade receivables

	As at		
	31 March 2020 (USD)	**31 March 2019 (USD)**	**31 March 2020 (₹)**
Unsecured, considered good (refer note below)	327	361	24,713
Trade receivables which have significant increase in credit risk	12	8	905
	339	369	25,618
Impairment allowance for bad and doubtful debts	(7)	(6)	(518)
	332	**363**	**25,100**

Note:

1. Trade receivables include receivables from related parties amounting to USD 202 (₹ 15,356), refer note 2.23(d).

2.4 Cash and cash equivalents

	As at		
	31 March 2020 (USD)	**31 March 2019 (USD)**	**31 March 2020 (₹)**
Balance with banks			
- in current accounts	14	26	1,028
	14	**26**	**1,028**

2.5 Financial assets – Loans

	As at		
	31 March 2020 (USD)	**31 March 2019 (USD)**	**31 March 2020 (₹)**
Current			
Unsecured, considered good			
Loan to employees	0	-	2
	-	**-**	**2**

(Note: Due to rounding off of balances, the amount is appeared as zero "-'

2.6 Unbilled receivables

	As at		
	31 March 2020 (USD)	**31 March 2019 (USD)**	**31 March 2020 (₹)**
Unbilled receivables –others	36	21	2,705
Unbilled revenue-related parties (refer note 2.23(c))	0	-	1
	36	**21**	**2,706**

2.7 Other Financial assets

	As at		
	31 March 2020 (USD)	**31 March 2019 (USD)**	**31 March 2020 (₹)**
Current			
Carried at amortised cost			
Contract Assets	0	3	37
Security Deposits	0	-	30
	1	**3**	**67**

2.8 Other Current assets

	As at		
	31 March 2020 (USD)	**31 March 2019 (USD)**	**31 March 2020 (₹)**
Unsecured, considered good			
Advances other than capital Advances :			
Advances to employees	1	-	71
Advances to suppliers	0	-	2
Others:			
Deferred contract cost-Others	5	8	396
Deferred contract cost-related parties (refer note 2.23(d))	11	1	852
Prepaid Expenses	17	17	1,296
Prepaid Expenses - related parties (refer note 2.23(d))	-	1	-
Others	-	0	-
	35	**27**	**2617**

2.9 Share Capital

	As at		
	31 March 2020 (USD)	**31 March 2019 (USD)**	**31 March 2020 (₹)**
Authorized			
10 (31 March 2020 :10, 31 March 2019:10) equity shares of USD 1000 each	0	0	8
Issued, subscribed and fully paid up			
10 (31 March 2020 :10, 31 March 2019:10) equity shares of USD 1000 each	0	0	8

Term/rights attached to equity shares

The Company has only one class of shares referred to as equity shares having a par value of USD 1000/-. 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.

a) Reconciliation of the number of shares outstanding at the beginning and at the end of the period

	As at			
	31 March 2020		31 March 2019	
	No. of shares	**USD**	**No. of shares**	**USD**
Number of shares at the beginning	10	0	10	0
Number of shares at the end	**10**	**-**	**10**	**0**

(Note: Due to rounding off of balances, the amount is appeared as zero "-")

b) Details of shareholders holding more than 5 % shares are as follows

	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 USD 1000 each, fully paid				
HCL America Inc., USA, the holding company	10	100.00%	10	100.00%

As per the records of the company, including its register of shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

2.10 Borrowings

	As at		
	31 March 2020 (USD)	**31 March 2019 (USD)**	**31 March 2020 (₹)**
Short term borrowings			
Unsecured			
Loan from related parties (refer note 2.23(d))	40	33	3,027
	40	**33**	**3,027**

Note:

The company has availed short term loan of USD 40 (₹ 3,027) (31 March 2019: USD 33) at an interest rate of 1%+ LIBOR.

2.11 Trade Payables

	As at		
	31 March 2020 (USD)	**31 March 2019 (USD)**	**31 March 2020 (₹)**
Trade payables others	4	8	322
Trade payables - related parties (refer note 2.23(d))	273	318	20,646
	277	**326**	**20,969**

2.12 Other financial liabilities

	As at		
	31 March 2020 (USD)	**31 March 2019 (USD)**	**31 March 2020 (₹)**
Current			
Carried at amortised cost			
Accrued salaries and benefits:			
Employee bonus accrued	0	-	30
Others employee cost	25	-	1,871
Others			
Liabilities for expenses	11	1	821
Liabilities for expenses - related parties (refer note 2.23(d))	7	13	539
Interest payable - related parties (refer note 2.23(d))	0	1	10
	43	**15**	**3,271**

2.13 Other liabilities

	As at		
	31 March 2020 (USD)	**31 March 2019 (USD)**	**31 March 2020 (₹)**
Non-Current			
Contract liabilities	-	2	-
	-	**2**	**-**
Current:			
Contract liabilities	46	53	3,522
Other Advances:			
Advance received from customers	1	-	92
Others			
Withholding and other taxes payable	1	6	53
	48	**60**	**3,667**

2.14 Provisions

	As at		
	31 March 2020 (USD)	**31 March 2019 (USD)**	**31 March 2020 (₹)**
Current			
Provision for leave benefits	5	-	349
	5	**-**	**3**

2.15 Revenue from operations

	Year ended		
	31 March 2020 (USD)	**31 March 2019 (USD)**	**31 March 2020 (₹)**
Sale of products	23	20	1,773
Sale of services	893	1,235	67,537
	916	**1,255**	**69,310**

Disaggregate Revenue Information

The disaggregated revenue from contracts with the customers is as follows:

	Year ended		
	31 March 2020 (USD)	**31 March 2019 (USD)**	**31 March 2020 (₹)**
Contract type			
Fixed price	318	436	24,088
Time and material	598	819	45,222
Total	**916**	**1,255**	**69,310**
Geography wise			
America	**916**	**1,255**	**69,310**
	916	**1,255**	**69,310**

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 $ 309 out of which, approximately 36 % is expected to be recognized as revenues within one year and the balance beyond one year. This is after exclusions as below:

a) Contracts for which we recognize revenues 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 a single performance obligation, or

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

Contract balances

Contract assets : A contract asset is a right to consideration that is conditional upon factors other than the passage of time. Contract assets are recognized where there is excess of revenue over the billings. Revenue recognized but not billed to customers is classified either as contract assets or unbilled receivable in our consolidated balance sheet. Contract assets primarily relate to unbilled amounts on fixed price contracts using the cost to cost method of revenue recognition. Unbilled receivables represents contracts where right to consideration is unconditional (i.e. only the passage of time is required before the payment is due).

The company does not have any contract assets as on 31 March 2020.

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

The below table discloses the movement in balances of contract liabilities :

	Year ended		
	31 March 2020 (USD)	**31 March 2019 (USD)**	**31 March 2020 (₹)**
Balance as at beginning of the year	56	9	4,235
Additional amounts billed but not recognized as revenue	260	981	19,700
Deduction on account of revenues recognized during the year	(270)	(935)	(20,412)
Balance as at end of the year	**46**	**56**	**3,522**

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

The below table discloses the movement in balance of deferred contract cost:

	Year ended		
	31 March 2020 (USD)	**31 March 2019 (USD)**	**31 March 2020 (₹)**
Balance as at beginning of the year	9	-	733
Additional cost capitalized during the year	239	586	18,064
Deduction on account of cost amortized during the year	(232)	(576)	(17,550)
Balance as at end of the year	**16**	**9**	**1,248**

The company has evaluated the impact of COVID-19 resulting from (a) increase in cost budget of fixed price projects due to additional efforts; (b) onerous projects; (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.

2.16 Other Income

	Year ended		
	31 March 2020 (USD)	**31 March 2019 (USD)**	**31 March 2020 (₹)**
Interest income – others	0	-	0
Exchange differences (net)	0	1	27
Miscellaneous income	-	0	-
	-	**1**	**27**

(Note: Due to rounding off of balances, the amount is appeared as zero "-")

2.17 Employee Benefit Expense

	Year ended		
	31 March 2020 (USD)	**31 March 2019 (USD)**	**31 March 2020 (₹)**
Salary, wages & bonus	194	-	14,681
Contribution to employee benefits	8	-	610
Staff welfare expenses	0	-	1
	202	**-**	**15,292**

2.18 Finance cost

	Year ended		
	31 March 2020 (USD)	**31 March 2019 (USD)**	**31 March 2020 (₹)**
Interest on loan taken-related parties(refer note 2.23(c))	1	1	72
Bank charges	0	0	2
	1	**1**	**74**

2.19 Outsourcing cost

	Year ended		
	31 March 2020 (USD)	**31 March 2019 (USD)**	**31 March 2020 (₹)**
Outsourcing Cost	127	150	9,639
Outsourcing Cost-related parties (refer note 2.23(c))	537	1,076	40,642
	665	**1,226**	**50,281**

2.20 Other expenses

	Year ended		
	31 March 2020 (USD)	**31 March 2019 (USD)**	**31 March 2020 (₹)**
Insurance	1	1	60
Travel and Conveyance	3	-	198
Provision for doubtful debts/ bad debts	1	3	109
Repair & Maintenance (P&M)	0	0	2
Repair & Maintenance (others)	-	0	-
Communication costs	0	-	1
Legal & Professional	0	0	33
Miscellaneous expenses	2	1	150
	7	**5**	**553**

2.21 Income Taxes

	Year ended		
	31 March 2020 (USD)	**31 March 2019 (USD)**	**31 March 2020 (₹)**
Income tax charged to statement of profit and loss			
Current Income Tax Charge	19	(1)	1,440
Deferred tax charge (credit)	(14)	2	(1,079)
	5	**1**	**361**

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

	Year ended		
	31 March 2020 (USD)	**31 March 2019 (USD)**	**31 March 2020 (₹)**
Profit before income tax	17	8	1,318
Statutory tax rate in USA	26.95%	27.13%	26.95%
Expected tax expense	5	2	355
Additional provision/ reversal created in books	0	(1)	14
Impact of rate change	(0)	-	(8)
Total taxes	**5**	**1**	**361**
Effective income tax rate	**27.40%**	**12.88%**	**27.40%**

Components of deferred tax assets and liabilities as on 31 March 2020 **(USD)**

	Opening balance	**Recognized in profit and loss**	**Closing balance**
Deferred tax assets			
Provision for doubtful debts	1	0	2
Accrued employee cost	-	1	1
Others	0	12	12
Gross deferred tax assets (A)	**1**	**14**	**15**

Deferred tax liabilities			
Depreciation and amortization	-	0	0
Others	1	(1)	0
Gross deferred tax liabilities (B)	**1**	**(1)**	**0**
Net deferred tax assets (A-B)	**1**	**14**	**15**

(₹)

	Opening balance	**Recognized in profit and loss**	**Closing balance**
Deferred tax assets			
Provision for doubtful debts	109	30	139
Accrued employee costs	-	103	103
Others	1	890	891
Gross deferred tax assets (A)	**110**	**1,023**	**1,133**
Deferred tax liabilities			
Depreciation and amortization	-	10	10
Others	63	(66)	(3)
Gross deferred tax liabilities (B)	**73**	**(56)**	**7**
Net deferred tax assets (A-B)	**47**	**1,079**	**1,126**

Components of deferred tax assets and liabilities as on 31 March 2019 **(USD)**

	Opening balance	**Recognized in profit and loss**	**Closing balance**
Deferred tax assets			
Provision for doubtful debts	1	1	1
Others	2	(2)	0
Gross deferred tax assets (A)	**3**	**(1)**	**1**
Deferred tax liabilities			
Others	0	1	1
Gross deferred tax liabilities (B)	**0**	**1**	**1**
Net deferred tax assets (A-B)	**3**	**(2)**	**1**

2.22 Financial Instruments

(a) Financial assets and liabilities

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

	Amortized cost	**Total Carrying Value**
Financial Assets		
Trade receivables	332	332
Cash and cash equivalents	14	14
Unbilled receivables	36	36
Loans	0	0
Others	1	1
Total	**382**	**382**
Financial Liabilities		
Borrowings	40	40
Trade payables	277	277
Others	43	43
Total	**360**	**360**

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

	Amortized cost	Total Carrying Value
Financial Assets		
Trade receivables	25,100	25,100
Cash and cash equivalents	1,028	1,028
Unbilled receivables	2,706	2,706
Loans	2	2
Others	67	67
Total	**28,901**	**28,901**
Financial Liabilities		
Borrowings	3,027	3,027
Trade payables	20,969	20,969
Others	3,217	3,217
Total	**27,266**	**27,266**

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

	Amortized cost	Total Carrying Value
Financial Assets		
Trade receivables	363	363
Cash and cash equivalents	26	26
Unbilled receivables	21	21
Others	3	3
Total	**413**	**413**
Financial Liabilities		
Borrowings	33	33
Trade payables	326	326
Others	15	15
Total	**374**	**374**

Trade receivables, unbilled receivables and contract assets have been valued after making reserve for allowances based on the 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 impact on customers and related customer verticals.

(b) Financial risk management

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

The Company's risk management policy aims to reduce volatility in financial statements while maintaining balance between providing predictability in the Company's business plan along with reasonable participation in market movement.

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 exchange rate risk primarily arises from assets and liabilities denominated in currencies other than the functional currency of the company and foreign currency forecasted revenue and cash flows. A significant portion of the Company revenue is in SGD while a large portion of costs are in Pound Sterling (GBP), CAD, EUR and AUD. The fluctuation in exchange rates in respect to the Indian rupee may have potential impact on the statement of profit and loss and other comprehensive income and equity.

The impact of appreciation / depreciation of 1% in respective foreign currencies with respect to functional currency of the Company is on profit before tax is not material for the year ended 31 March, 2020

The rate sensitivity is calculated by aggregation of the net foreign exchange rate exposure and a simultaneous parallel foreign exchange rates shift of all the currencies by 1% against the respective functional currencies of the Company and its branches. The sensitivity analysis presented above may not be representative of the actual change.

Non-derivative foreign currency exposure as of 31 March 2020, 31 March 2019 in major currencies is as below:

	Net Financial Assets		**Net Financial Liabilities**	
	31 March 2020	**31 March 2019**	**31 March 2020**	**31 March 2019**
SGD/USD	2	2	-	0
GBP/USD	-	-	0	3
CAD/USD	-	-	6	9
EUR/USD	0	0	2	2

(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 Group's exposure to the risk of changes in market interest rates arises on borrowings with floating interest rate which is not material.

Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash and bank balances, trade receivables, unbilled receivables. The cash resources of the Company are invested with banks and corporations 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 the United States of America and accordingly, trade receivables and finance lease receivables are concentrated in the respective countries. 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 accounts receivables.

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

	As at		
	31 March 2020 (USD)	**31 March 2019 (USD)**	**31 March 2020 (₹)**
Balance at the beginning of the year	5	2	391
Additional provision during the year	5	4	423
Deductions on account of write offs and collections	4	1	315
Balance at the end of the year	**7**	**5**	**499**

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.

2.22 Segment Reporting

Operating segments are defined as components of an enterprise for which discrete financial information is available and their results are reviewed regularly by the chief operating decision maker (CODM), for allocation of resources and assessing performance. Till previous year, the CODM evaluated the Company's performance by business segments comprising software services, infrastructure management services and business process outsourcing services.

Consequent to the reorganization of its operations due to technological changes and business requirements, effective current year the Company's holding company, HCL Technologies Limited's chief operating decision maker (CODM) reviews its results for allocation of resources and assessing performance by business segment comprising IT and Business Services, Engineering and R&D Services, and Products & Platforms segments.

Due to the reorganization of operations, the ultimate Holding Company effective current year, monitors the risk and returns of the Company's businesses on an entity level and evaluates the performance of the Company as one business segment which is overall a part of the reorganized entity level business segments. Hence there is only one reportable segment of the Company, as envisaged under Indian Accounting Standards -108 "Operating segments".

Revenue disagreegation as per geography is given in note 2.15.

2.23 Related parties transactions

a) <u>Related parties where control exists</u>

List of companies as at 31 March 2020, 31 March, 2019 is as below:

S. No.	Name	Country of Incorporation	Percentage holding as at	
			31 March 2020	31 March 2019
1	HCL America Inc.	USA	100%	100%

2.23 Related party transactions

a) <u>Related parties where control exists</u>
Holding Company

HCL America Inc.

Ultimate Holding Company
HCL Technologies Limited

b) <u>Related parties with whom transaction have taken place during the year</u>
Holding Company

HCL America Inc.

Ultimate Holding Company

HCL Technologies Limited

Fellow Subsidiaries

HCL Technologies UK Limited
HCL Technologies Sweden AB
HCL Australia Services Pty. Limited, Australia
HCL Singapore Pte. Limited
HCL Great Britain Limited
HCL Japan Limited, Japan
HCL Mexico
HCL (Brazil) Technologia da Informacao Ltd.
Axon Solutions (Shanghai) Co. Limited
HCL Technologies Germany GmbH
HCL (Ireland) Information Systems Limited
HCL Canada Inc.
Geometric Americas Inc.
HCL Technologies BV

HCL Technologies Corporate Services Limited
HCL Technologies Luxembourg S.a.r.l
HCL Technologies Colombia SAS
HCL Poland Sp.z.o.o.
Powerteam, LLC.
HCL Canada Inc.-SD (Fy HCL Axon Technologies Inc.)
HCL Axon Solutions (Shanghai) Co., Ltd, Guangzhou Branch
HCL Axon Solutions (Shanghai) Co., Ltd. Wuxi Branch
GAI-Canada Branch
FILIAL ESPANOLA DE HCL TECHNOLOGIES, S.L. (HCL Spain)
HCL GmbH

Non-Executive & Independent Directors
Mr. C. Vijayakumar
Ms. Robin Abrams
Mr. Raghu Raman Lakshmanan

c) Transactions with related parties during the year

(USD)

Transactions with related parties during the normal course of business	Ultimate Holding Company		Holding Company		Fellow Subsidiaries	
	Year ended		Year ended		Year ended	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Revenue from operations	8	0	103	1	55	0
Outsourcing cost	170	502	334	531	34	43
Loan Taken	-	-	-	-	(15)	(25)
Loan Repaid	-	-	-	-	8	55
Interest Expense	-	-	0	0	1	1
Cost of Goods Sold	0	0	-	-	-	-
Insurance	1	1	-	-	-	-

Transactions with related parties during the year **(₹)**

Transactions with related parties during the normal course of business	Ultimate Holding Company	Holding Company	Fellow Subsidiaries
	Year ended	Year ended	Year ended
	31 March 2020	31 March 2020	31 March 2020
Revenue from operations	607	7,766	4,130
Outsourcing cost	12,841	25,253	2,549
Loan Taken	-	-	(1,137)
Loan Repaid	-	-	603
Interest Expense	-	25	48
Cost of Goods Sold	16	-	-
Insurance	48	-	-

d) Outstanding balances with related parties: **(USD)**

Outstanding balances	Ultimate Holding Company		Holding Company		Fellow Subsidiaries	
	Year ended		Year ended		Year ended	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Trade Receivable	1	-	148	207	53	5
Prepaid Expenses	-	1	-	-	-	-
Deferred contract cost	11	1	-	-	-	-
Unbilled Receivables	0	-	-	-	-	-
Trade payables	45	107	217	187	11	24
Liability for expenses	7	13	0	-	-	-
Interest Payable	-	-	0	0	0	0
Short term borrowings	-	-	8	8	32	25
Receivable Expense	-	-	4	-	-	-

Outstanding balances with related parties: **(₹)**

Outstanding balances	Ultimate Holding Company	Holding Company	Fellow Subsidiaries
	Year ended	Year ended	Year ended
	31 March 2020	31 March 2020	31 March 2020
Trade Receivable	110	11,202	4,044
Deferred contract cost	852	-	-
Unbilled Receivables	1	-	-
Trade payables	3,403	16,446	797
Liability for expenses	539	0	-
Interest Payable	-	3	7
Short term borrowings	-	605	2,422
Expense Receivable	-	331	-

(Note: HCL Technologies Limited- Swiss Branch has been reclassified to Ultimate Holding company from Fellow subsidiaries for FY 2019-20 and FY 2018-19. This reclassification has no material impact on Financials).

2.24 Earning per share

Particulars	**Year Ended**		
	31 March 2020 (USD)	**31 March 2019 (USD)**	**31 March 2020 (₹)**
Earnings as per statement of profit and loss for computation of EPS	13	7	957
Weighted average number of equity shares outstanding in calculating Basic and dilutive EPS	10	10	10
Nominal value of equity shares	1,000	1,000	1,000
Earnings per equity share -Basic and diluted	126,467	70,508	9,569,113

2.25 Contingent liabilities

The Company records a liability when it is both probable that a loss has been incurred and the amount can be reasonably estimated. Significant judgement 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.

As per our report of even date

FOR B S R & CO. LLP
Firm Registration Number: 101248W/W-100022
Chartered Accountants

Rakesh Dewan
Digitally signed by Rakesh Dewan
Date: 2020.09.15 23:28:21 +05'30'

Rakesh Dewan
Partner
Membership Number: 092212

Gurgaon, India
Date: 15 September 2020

For and on behalf of Board of Directors
of HCL America Solutions Inc.

C. Vijayakumar
Digitally signed by C. Vijayakumar
Date: 2020.09.15 22:27:42 +05'30'

C. Vijayakumar
Director

Prateek Aggarwal
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Prateek Aggarwal
Director

Date: 15 September 2020