Concept2Silicon Systems Private Limited

Financial Statements

Year ended 31 March 2020 and 31 March 2019

Concept2Silicon Systems Private Limited

Balance Sheet as at 31 March 2020

(All amounts in thousands 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**	-	-
	(b) Other intangible assets	**2.2**	-	-
	(c) Deferred tax assets (net)	**2.18**	2,495	2,316
	(2) Current assets			
	(a) Financial assets			
	(i) Trade receivables	**2.3**	400	-
	(ii) Cash and cash equivalents	**2.4**	12,113	1,159
	(iii) Others	**2.5**	385	4,212
	(b) Current tax assets (net)		3,420	19,041
	(c) Other current assets	**2.6**	227	227
	TOTAL ASSETS		**19,040**	**26,955**
II.	**EQUITY**			
	(a) Equity share capital	**2.7**	150	150
	(b) Other equity		14,782	18,633
	TOTAL EQUITY		**14,932**	**18,783**
III.	**LIABILITIES**			
	(1) Non - current liabilities			
	(a) Provisions	**2.8**	646	589
	(2) Current liabilities			
	(a) Financial liabilities			
	(i) Borrowings	**2.9**	-	4,942
	(ii) Trade payables	**2.10**		
	1. Dues of micro enterprises and small enterprises	**2.25**	-	-
	2. Dues of creditors other than micro enterprises and small enterprises		193	124
	(iii) Others	**2.11**	2,658	2,101
	(b) Other current liabilities	**2.12**	337	340
	(c) Provisions	**2.8**	274	76
	TOTAL EQUITY AND LIABILITIES		**19,040**	**26,955**
	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 Registration Number: 101248W/W-100022

ANURAG KUMAR MAHESHWARY Digitally signed by ANURAG KUMAR MAHESHWARY Date: 2020.07.01 22:03:54 +05'30'

Anurag Maheshwary
Partner
Membership Number: 506533

Place: Gurugram, India
Date: 01 July 2020

For and on behalf of the Board of Directors
of Concept2Silicon Systems Private Limited

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Prahlad Rai Bansal
Director

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Subramanian Gopalakrishnan
Director

Place: Noida, India
Date: 01 July 2020

Concept2Silicon Systems Private Limited
Statement of Profit and Loss for the year ended 31 March 2020
(All amounts in thousands 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	**2.13**	9,733	16,879
	Other income	**2.14**	1,198	1,194
	Total income		**10,931**	**18,073**
II	**Expenses**			
	Employee benefits expense	**2.15**	9,148	13,386
	Finance costs	**2.16**	349	642
	Other expenses	**2.17**	5,422	4,747
	Total expenses		**14,919**	**18,775**
III	**Profit/(Loss) before tax**		**(3,988)**	**(702)**
IV	**Tax expense**	**2.18**		
	Current tax		-	393
	Deferred tax expense (credit)		(169)	1,471
	Total tax expense		(169)	1,864
V	**Loss for the year**		**(3,819)**	**(2,566)**
VI	**Other comprehensive income**			
	Items that will not be reclassified to statement of profit and loss			
	Defined benefit plan actuarial gains/(losses)		(43)	346
	Income tax effect		11	(90)
	Total other comprehensive income/(loss)		**(32)**	**256**
VII	**Total Comprehensive Loss for the year**		**(3,851)**	**(2,310)**
	Earnings per equity share of ₹ 1 each	**2.19**		
	Basic (in ₹)		(25.46)	(17.11)
	Diluted (in ₹)		(25.46)	(17.11)
	Summary of significant accounting policies	**1**		

The accompanying notes are an integral part of the financial statements

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Chartered Accountants
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Membership Number: 506533

Place: Gurugram, India
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For and on behalf of the Board of Directors
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Subramanian Gopalakrishnan
Director

Place: Noida, India
Date: 01 July 2020

Concept2Silicon Systems Private Limited

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

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

	Equity share capital		Other equity	Total Equity
	Shares	Share capital	Retained earnings	
Balance as of 1 April 2018	150,000	150	20,943	21,093
Loss for the year	-	-	(2,566)	(2,566)
Other comprehensive income	-	-	256	256
Total comprehensive loss for the year	-	-	(2,310)	(2,310)
Balance as of 31 March 2019	**150,000**	**150**	**18,633**	**18,783**
Balance as of 1 April 2019	150,000	150	18,633	18,783
Loss for the year	-	-	(3,819)	(3,819)
Other comprehensive loss	-	-	(32)	(32)
Total comprehensive loss for the year	-	-	(3,851)	(3,851)
Balance as of 31 March 2020	**150,000**	**150**	**14,782**	**14,932**

The accompanying notes are an integral part of the financial statements

As per our report of even date

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Anurag Maheshwary
Partner
Membership Number: 506533

Place: Gurugram, India
Date: 01 July 2020

For and on behalf of the Board of Directors
of Concept2Silicon Systems Private Limited

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Subramanian Gopalakrishnan
Director

Place: Noida, India
Date: 01 July 2020

Concept2Silicon Systems Private Limited
Statement of Cash flows
(All amounts in thousands of ₹, except share data and as stated otherwise)

	Year ended 31 March 2020	Year ended 31 March 2019
A. Cash flows from operating activities		
Profit/(loss) before tax	(3,988)	(702)
Adjustment for:		
Interest expense	349	639
Profit on sale of fixed assets	-	(18)
Provisions no longer required written back	-	(93)
Provision for doubtful debts/bad debts written off	4,580	-
Provision for doubtful debts written back	-	(1,083)
Provision for doubtful advances	-	3,481
Operating profit before working capital changes	**941**	**2,224**
Movement in Working Capital		
(Increase) decrease in trade receivables	(400)	10,873
Decrease in other financial assets and other assets	3,827	7,557
Increase in trade payables	69	124
Decrease in provisions, other financial liabilities and other liabilities	(3,534)	(3,853)
Cash generated from operations	**903**	**16,925**
Direct taxes (paid)/refunded (net)	15,621	(9,204)
Net cash generated from operating activities (A)	**16,524**	**7,721**
B. Cash flows from financing activities		
Proceeds from borrowings from holding company	6,000	14,100
Repayment of borrowings from holding company	(10,942)	(20,500)
Interest paid	(628)	(731)
Net cash used in financing activities (B)	**(5,570)**	**(7,131)**
Net (decrease) increase in cash and cash equivalents (A+B)	10,954	590
Cash and cash equivalents at the beginning of the year	1,159	569
Cash and cash balance at the end of the year as per note 2.4	**12,113**	**1,159**

The accompanying notes are an integral part of the financial statements

As per our report of even date.

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Anurag Maheshwary
Partner
Membership Number: 506533

Place: Gurugram, India
Date: 01 July 2020

For and on behalf of the Board of Directors
of Concept2Silicon Systems Private Limited

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Prahlad Rai Bansal
Director

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Subramanian Gopalakrishnan
Director

Place: Noida, India
Date: 01 July 2020

Concept2Silicon Systems Private Limited
Notes to financial statements for the year ended 31 March 2020
(All amounts in thousands of ₹, except share data and as stated otherwise)

Company Overview

Concept2Silicon Systems Private Limited (hereinafter referred to as the 'Company') is primarily engaged in providing a range of software development services. The Company was incorporated in the month of June, 2009 under the provisions of the Companies Act applicable in India , having its registered office at 501-503, Fourth Floor, Oxford House No.15, Rustam Bagh, Off Airport Road, Behind Manipal Hospital, Bangalore, Karnataka-560017. On 15th of October 2015 HCL Software Products Limited (formerly known as HCL Global Processing Services Limited) has acquired 100% of shares from existing shareholders of Concept2Silicon Systems Private Limited and with effect from such date, the immediate holding company of the Company is HCL Software Products Limited.

The financial statements for the year ended 31 March 2020 were approved and authorized for issue by the Board of Directors on 01 July 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 principles laid down in Indian Accounting Standards (Ind AS) pescribed under section 133 of 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 Conpany's 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 newly issued accounting standard is applicable.

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 flow 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 on allowance for uncollectible accounts receivables, income taxes, future obligations under employee benefit plans, the useful lives of property, plant and equipment, intangible assets, 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) Foreign currency transaction

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 functional currencies using the exchange rate in effect on the date of the transaction.

d) 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.

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 identified, the contract has commercial substance and collectability of consideration is probable.

Time-and-material / Volume based / Transaction based 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 for contracts.

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 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 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 taxes which originate during the tax holiday period are reversed after the tax holiday period. For this purpose, reversal of timing differences is determined using first in first out method.

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 tax assets and liabilities is recognized as income or expense in the year that includes the enactment or the substantive enactment date. A deferred 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.

Subsequent expenditure related to an item of property, plant and equipment is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard or period of performance. 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 year during which such expenses are incurred.

Gains or losses arising from derecognition 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	4-5
Furniture and fixtures	7

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) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

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. 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 over the estimated useful life 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) 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.

k) Provisions

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.

l) Retirement and other employee benefits

i. Provident fund: Employees of the company receive benefits under provident fund, a benefit plan. The employee and employer each make contribution to the plan, set up by the ultimate holding Company.. The liability is actuarially determined (using projected unit credit method) at the end of the year. The minimum interest rate payable by the Trust to the beneficiaries every year is notified by the Government and the Company has an obligation to make good the shortfall, if any, between the return from the investments of the Trust and the notified interest rate. Funds contributed by Trust are invested in specified security as required by law and generally consist of federal and state government bonds, debt instrument of government owned corporation and, equity other eligible market securities.

ii. 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.

iii. Compensated absences: With effect from 01st January 2016, 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 year in which the absences occur. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred.

iv. State Plans: The Company's contribution to State Plans, a defined contribution plan namely Employees' Pension Scheme are charged to the statement of profit and loss.

m) **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 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 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 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, unbilled revenue, trade and other receivables.

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.

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 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.

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.

n) Earnings per share

Basic earnings per share is computed by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share are computed by dividing the net profit after tax 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.

o) 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.

Concept2Silicon Systems Private Limited
Notes to financial statements for the year ended 31 March 2020
(All amounts in thousands 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

	Gross block				Accumulated depreciation				Net block	
	As at 1 April 2019	Additions	Disposal/ Write off	As at 31 March 2020	As at 1 April 2019	Charge for the year	Deduction/ Other Adjustment	As at 31 March 2020	As at 31 March 2020	As at 31 March 2019
Plant and machinery	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-
Computers	-	-	-	-	-	-	-	-	-	-
Furniture and fittings	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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

	Gross block				Accumulated depreciation				Net block	
	As at 1 April 2018	Additions	Disposal/ Write off	As at 31 March 2019	As at 1 April 2018	Charge for the year	Deduction/ Other Adjustment	As at 31 March 2019	As at 31 March 2019	As at 1 April 2018
Plant and machinery	166	-	166	-	47	-	47	-	-	119
Office Equipment	311	-	311	-	214	-	214	-	-	97
Computers	1,278	-	1,278	-	822	-	822	-	-	456
Furniture and fittings	184	-	184	-	81	-	81	-	-	103
Total	**1,938**	**-**	**1,937**	**-**	**1,164**	**-**	**1,163**	**-**	**-**	**775**

2.2 Other intangible assets

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

	Gross block				Accumulated amortization				Net block	
	As at 1 April 2019	Additions	Disposal/ Write off	As at 31 March 2020	As at 1 April 2019	Charge for the year	Deduction/ Other Adjustment	As at 31 March 2020	As at 31 March 2020	As at 31 March 2019
Software	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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

	Gross block				Accumulated amortization				Net block	
	As at 1 April 2018	Additions	Disposal/ Write off	As at 31 March 2019	As at 1 April 2018	Charge for the year	Deduction/ Other Adjustment	As at 31 March 2019	As at 31 March 2019	As at 1 April 2018
Software	76	-	76	-	72	-	72	-	-	4
Total	**76**	**-**	**76**	**-**	**72**	**-**	**72**	**-**	**-**	**4**

Concept2Silicon Systems Private Limited
Notes to financial statements for the year ended 31 March 2020
(All amounts in thousands of ₹, except share data and as stated otherwise)

2.3 Trade Receivable

	As at	
	31 March 2020	**31 March 2019**
Unsecured considered good (refer note below)	400	-
Trade receivables which have significant increase in credit risk	3,293	3,205
	3,693	**3,205**
Impairement allowance for bad and doubtful debts	(3,293)	(3,205)
	400	**-**

Note : Includes receivable from related party amounting to ₹ 400 thousand (31 March 2019, Nil)

2.4 Cash and cash equivalent

	As at	
	31 March 2020	**31 March 2019**
Balance with banks		
- in current accounts	12,113	1,159
	12,113	**1,159**

2.5 Other financial assets

	As at	
	31 March 2020	**31 March 2019**
Current		
Carried at amortized cost		
Unsecured considered good		
Unbilled receivable - related party (refer note 2.24)	385	3,273
Other receivables - related party (refer note 2.24)	-	939
Unsecured considered doubtful		
Security deposits	3,484	3,484
Less: Provision for doubtful deposits	(3,484)	(3,484)
	385	**4,212**

2.6 Other current assets

	As at	
	31 March 2020	**31 March 2019**
Unsecured , considered good		
Advances other than capital advances		
Receivable for expenses - related party (refer note 2.24)	191	80
Advances to employees	-	72
Others		
Prepaid expenses	23	63
Other receivables	13	12
	227	227
Unsecured , considered doubtful		
Advances other than capital advances		
Advances to employees	161	161
Less: Provision for doubtful advances	(161)	(161)
	-	-
	227	**227**

Concept2Silicon Systems Private Limited
Notes to financial statements for the year ended 31 March 2020
(All amounts in thousands of ₹, except share data and as stated otherwise)

2.7 Share Capital

	As at	
	31 March 2020	**31 March 2019**
Authorized		
2,000,000 (31 March 2019, 2,000,000) equity shares of ₹ 1 each	2,000	2,000
Issued, subscribed and fully paid up		
150,000 (31 March 2019, 150,000) equity shares ₹ 1 each	150	150

Terms/ rights attached to equity shares

The Company has only one class of shares referred to as equity shares having a par value of ₹ 1/-. 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	Amount	No. of shares	Amount
Number of shares at the beginning	150,000	150	150,000	150
Add: Shares issued during the year	-	-	-	-
Number of shares at the end	150,000	150	150,000	150

Out of equity shares issued by the Company, shares held by its holding company are as below:

	As at			
	31 March 2020		**31 March 2019**	
	No. of shares	% holding in the class	No. of shares	% holding in the class
HCL Software Products Limited (Formerly known as Global Processing Services Limited, the Holding Company), equity shares of ₹ 1 each fully paid up	150,000	100%	150,000	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 ₹ 1 each fully paid				
HCL Software Products Limited (Formerly known as Global Processing Services Limited, the Holding Company)	150,000	100%	150,000	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.

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. The funding requirements are generally met through operating cash flows generated.

Concept2Silicon Systems Private Limited
Notes to financial statements for the year ended 31 March 2020
(All amounts in thousands of ₹, except share data and as stated otherwise)

2.8 Provisions

	As at	
	31 March 2020	**31 March 2019**
Non - Current		
Provision for employee benefits		
Provision for gratuity (refer note 2.22)	398	365
Provision for leave benefits	248	224
	646	**589**
Current		
Provision for employee benefits		
Provision for gratuity (refer note 2.22)	167	1
Provision for leave benefits	107	75
	274	**76**

2.9 Borrowings

	As at	
	31 March 2020	**31 March 2019**
Short term borrowings		
Unsecured		
From related party (refer note 1 below and note 2.24)	-	4,942
	-	**4,942**

Note 1:The Company has availed a short term loan during the year at an interest rate of 9% per annum.

2.10 Trade payables

	As at	
	31 March 2020	**31 March 2019**
Trade payables	182	59
Trade payables-related parties (refer note 2.24)	11	65
	193	**124**

2.11 Other financial liabilities

	As at	
	31 March 2020	**31 March 2019**
Current		
Carried at amortized cost		
Accrued salaries and benefits		
Employee bonuses accrued	1,200	675
Other employee costs	536	654
Others		
Liabilities for expenses	148	150
Other payables-related party (refer note 2.24)	773	342
Interest accrued on borrowings-related party (refer note 2.24)	1	280
	2,658	**2,101**

2.12 Other current liabilities

	As at	
	31 March 2020	**31 March 2019**
Advances received from customers	212	-
Witholding and other taxes payable	90	340
Payable to employees	35	-
	337	**340**

2.13 Revenue from operations

	Year ended	
	31 March 2020	**31 March 2019**
Sale of services	9,733	16,879
	9,733	**16,879**

Disaggregate revenue information

The disaggregated revenue from contracts with the customers for the year ended 31 March 2020.

	Year ended 31 March 2020
Contract type	
Time and material	9,733
Total	**9,733**
Geography wise	
India	9,733
	9,733

The company has evaluated the impact of COVID-19 resulting from 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.

2.14 Other income

	Year ended	
	31 March 2020	**31 March 2019**
Provision no longer required written back (net)	-	93
Provision for doubtful debts written back (net)		1,083
Profit on sale of property, plant and equipment	-	18
Exchange differences (net)	7	-
Interest income on		
- Income tax refund	1,191	-
	1,198	**1,194**

2.15 Employee benefits expense

	Year ended	
	31 March 2020	**31 March 2019**
Salaries, wages and bonus	8,731	12,729
Gratuity expense	157	234
Contribution to provident fund and other employee funds	256	405
Staff welfare expenses	4	18
	9,148	**13,386**

2.16 Finance cost

	Year ended	
	31 March 2020	**31 March 2019**
Interest		
- on loan	349	639
Bank charges	-	3
	349	**642**

Concept2Silicon Systems Private Limited
Notes to financial statements for the year ended 31 March 2020
(All amounts in thousands of ₹, except share data and as stated otherwise)

2.17 Other expenses

	Year ended	
	31 March 2020	**31 March 2019**
Rent and hire charges	54	50
Power and fuel	9	38
Travel and conveyance	583	635
Legal and professional charges	194	278
Provision for doubtful advances	-	3,481
Rates and taxes	2	220
Provision for doubtful debts / bad debts written off	4,580	-
Miscellaneous expenses	-	44
	5,422	**4,747**

2.18 Income taxes

	Year ended	
	31 March 2020	**31 March 2019**
Income tax charged to statement of profit and loss		
Current income tax charge	-	393
Deferred tax charge (credit)	(169)	1,471
	(169)	**1,864**
Income tax charged to other comprehensive income		
Expense (benefit) on re-measurements of defined benefit plans	11	(90)
	11	**(90)**

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**
Loss before income tax	(3,988)	(702)
Statutory tax rate in India	26.0%	26.0%
Expected tax expense	(1,037)	(183)
Additional provision created for prior years	17	-
Unrecognized tax benefit	862	1,957
Others	(11)	90
Total taxes	**(169)**	**1,864**
Effective income tax rate	**4%**	**-266%**

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 is currently evaluating the options available for concessional tax rate as the Company is in process of merger as specified in note 1(a).

Concept2Silicon Systems Private Limited

Notes to financial statements for the year ended 31 March 2020

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

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				
MAT credit entitlement	813	(1)	-	812
Business losses	-	-	-	-
Provision for doubtful debts	1,781	23	-	1,804
Accrued employee costs	242	147	-	389
Others	-	-	-	-
Gross deferred tax assets (A)	**2,836**	**169**	**-**	**3,005**
Deferred tax liabilities				
Accrued employee costs	521	-	(11)	510
Depreciation and amortization	-	-	-	-
Gross deferred tax liabilities (B)	**521**	**-**	**(11)**	**510**
Net deferred tax assets (A-B)	**2,315**	**169**	**11**	**2,495**

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				
MAT credit entitlement	420	393	-	813
Business losses	2,336	(2,336)	-	-
Provision for doubtful debts	1,158	624	-	1,781
Accrued employee costs	356	(114)	-	242
Others	80	(80)	-	-
Gross deferred tax assets (A)	**4,350**	**(1,513)**	**-**	**2,837**
Deferred tax liabilities				
Accrued employee costs	431	-	90	521
Depreciation and amortization	42	(42)	-	-
Gross deferred tax liabilities (B)	**473**	**(42)**	**90**	**521**
Net deferred tax assets (A-B)	**3,877**	**(1,471)**	**(90)**	**2,316**

Deferred tax assets primarily related to carried forward losses ₹ 2,627 thousands was not recognized as per applicable accounting standards. These tax losses amounting to ₹ 10,105 thousands can be carried forward till March 2028.

Concept2Silicon Systems Private Limited

Notes to financial statements for the year ended 31 March 2020

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

2.19 Earnings per share

The computation of earnings per share is as follows:

	Year ended	
	31 March 2020	**31 March 2019**
Loss as per statement of profit and loss	(3,819)	(2,566)
Weighted average number of equity shares outstanding	150,000	150,000
Nominal value of equity shares (in ₹)	1	1
Loss per equity share (in ₹)		
- Basic	(25.46)	(17.11)
- Diluted	(25.46)	(17.11)

2.20 Operating segments

In the opinion of the management, software development services is the only business segment of the Company and hence there are no reportable segments as envisaged in Indian Accounting Standard (Ind AS)-108 'Segment Reporting'. Accordingly, no disclosures for segmental reporting have been included in the financial statements.

2.21 Financial instruments

(a) Financial assets and liabilities

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	400	400
Cash and cash equivalents	12,113	12,113
Others (refer note 2.5)	385	385
Total	12,898	12,898
Financial liabilities		
Borrowings	-	-
Trade payables	193	193
Others (refer note 2.11)	2,658	2,658
Total	2,851	2,851

2.21 Financial instruments (continued)

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

	Amortized cost	Total carrying value
Financial assets		
Trade receivables	-	-
Cash and cash equivalents	1,159	1,159
Others (refer note 2.5)	4,212	4,212
Total	5,371	5,371
Financial liabilities		
Borrowings	4,942	4,942
Trade payables	124	124
Others (refer note 2.11)	2,101	2,101
Total	7,167	7,167

(b)Financial risk management

The Company is exposed to credit risk and liquidity risk which may impact the fair value of its financial instruments. The Company actively manage & mitigate these risks as and when required.

Credit risk

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash and bank balances, trade receivables and unbilled receivable. The cash resources of the Company are invested with banks 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 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 accounts 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	3,205	4,288
Provision written off/ additional provision during the year	4,580	(1,083)
Bad debts written off	(4,493)	
Balance at the end of the year	3,292	3,205

Trade receivable have been valued after making reserve for allowance 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 customer and related customer verticals.

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 companies financial liabliity is concentrated in current.

2.22 Employee benefits

The Company has calculated the various benefits provided to employees as given below:

A. Defined contribution plans and state plans

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 Pension Scheme	49	81
	49	**81**

B. Defined benefit plans

a) Gratuity
b) Employer's contribution to Provident Fund

Gratuity

Statement of profit and loss

	Year ended	
	31 March 2020	**31 March 2019**
Current Service cost	130	691
Interest cost	26	149
Net benefit expense	**156**	**840**

Concept2Silicon Systems Private Limited
Notes to financial statements for the year ended 31 March 2020
(All amounts in thousands of ₹, except share data and as stated otherwise)

2.22 Employee benefits (continued)

Balance Sheet

	As at	
	31 March 2020	**31 March 2019**
Defined benefit obligations	565	366
Fair value of plan assets	-	-
	565	366
Less: Unrecognized past service cost	-	-
Net plan liability	**565**	**366**
Current defined benefit obligations	167	1
Non-current defined benefit obligations	398	365

Changes in present value of the defined benefit obligations

	Year ended	
	31 March 2020	**31 March 2019**
Opening defined benefit obligations	366	479
Current service cost	130	199
Interest cost	26	35
Re-measurement gains (losses) in OCI		
Actuarial changes arising from changes in financial assumptions	56	9
Experience adjustments	(13)	(356)
Closing defined benefit obligations	**565**	**366**

Changes in fair value of the plan assets are as follows:

	Year ended	
	31 March 2020	**31 March 2019**
Opening fair value of plan assets	-	-
Closing fair value of plan assets	**-**	**-**

The principal assumptions used in determining gratuity for the company's plan are shown below:

	As at	
	31 March 2020	**31 March 2019**
Discount rate	6.60%	7.15%
Estimated Rate of salary increases	8.00%	7.00%
Employee Turnover	24.00%	22.00%
Expected rate of return on assets	NA	NA

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

2.22 Employee benefits (continued)

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 an increase / decrease in key actuarial assumptions by 50 basis points:

	Discount rate	**Salary escalation rate**
Impact of increase	(19)	20
Impact of decrease	21	(19)

The sensitivity analysis presented may not be representative of the actual change 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 market conditions. There have been no changes from the previous years 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 (₹ in thousands)
- 2021	167
- 2022	119
- 2023	79
- 2024	87
- 2025	94
- Thereafter	2,290

The weighted average duration of the payment of these cash flows is 7.21 years.

Employers Contribution to Provident Fund

The Company contributes to Hindustan Instruments Limited EPF Trust, which is maintained by ultimate holding company HCL Technologies Limited. The disclosure of plan assets cannot be provided as the plan assets are not attributable to its participants. The actuary has accordingly provided a valuation and based on the assumption mentioned below there is no shortfall as at 31 March 2020 and March 2019.

Assumptions used in determining in the present value obligation of the interest rate guarantee under the deterministic Approach.

	Year ended	
	31 March 2020	**31 March 2019**
Government of India (GOI) bond yield	6.60%	7.20%
Remaining term of maturity	8 years	8 years
Expected guaranteed interest rate	8.50%	8.65%

During the year ended 31 March 2020, the Company has contributed ₹ 207 thousand, (31 March 2019, ₹ 324 thousand) towards employer's contribution to the provident fund.

2.23 Payment to auditors

	Year ended	
	31 March 2020	**31 March 2019**
Statutory audit fee	110	110
Tax audit fee	50	50
	160	**160**

Concept2Silicon Systems Private Limited
Notes to financial statements for the year ended 31 March 2020
(All amounts in thousands of ₹, except share data and as stated otherwise)

2.24 Related party transactions

a) List of related parties and relationship

HCL Technologies Limited	Ultimate Holding Company
HCL Software Products Limited (Formerly known as Global Processing Services Limited)	Holding Company
HCL Comnet Limited	Fellow subsidiary
HCL Axon Technologies Inc SD (fly Axon Soltns Canada Inc-SD)	Fellow subsidiary

b) Transactions with related parties

	Ultimate Holding Company		Holding Company		Fellow subsidiaries		Total	
	Year ended 31 March		Year ended 31 March		Year ended 31 March		Year ended 31 March	
	2020	2019	2020	2019	2020	2019	2020	2019
Sale of services	9,733	17,980	-	-	-	-	**9,733**	**17,980**
Interest on short term borrowings	-	-	349	639	-	-	**349**	**639**
Sale of fixed assets		796	-	-	-	-	**-**	**796**
Proceeds from borrowings	-	-	6,000	14,100	-	-	**6,000**	**14,100**
Repayment of borrowings	-	-	10,942	20,500	-	-	**10,942**	**20,500**
Payment for use of facilities	-	-	-	-	63	60	**63**	**60**

c) Outstanding balances with related parties

	Ultimate Holding Company		Holding Company		Fellow subsidiaries		Total	
	As at 31 March		As at 31 March		As at 31 March		As at 31 March	
	2020	2019	2020	2019	2020	2019	2020	2019
Trade receivables	400	-	-	-	-	-	**400**	**-**
Unbilled receivable	385	3,273	-	-	-	-	**385**	**3,273**
Receivable for expenses	-	80	-	-	191	-	**191**	**80**
Borrowings	-	-	-	4,942	-	-	**-**	**4,942**
Trade payables	-	-	-	-	11	65	**11**	**65**
Other payables	752	340	-	-	21	2	**773**	**342**
Other receivables	-	939	-	-	-	-	**-**	**939**
Interest accrued on borrowings	-	-	1	280	-	-	**1**	**280**

2.25 Micro Small and Medium Enterprises

As per information available with the management, the dues payable as at any time during the year ended March 31, 2020 to enterprises covered under "The Micro, Small and Medium Enterprises Development Act, 2006" is ₹ Nil (previous year Nil).

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

2.26 Subsequent events

The Company has evaluated all the subsequent events through 01 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 Registration Number: 101248W/W-100022

ANURAG KUMAR MAHESHWARY
Digitally signed by ANURAG KUMAR MAHESHWARY
Date: 2020.07.01 22:11:04 +05'30'

Anurag Maheshwary
Partner
Membership Number: 506533

Place: Gurugram, India
Date: 01 July 2020

For and on behalf of the Board of Directors
of Concept2Silicon Systems Private Limited

PRAHLAD RAI BANSAL
Digitally signed by PRAHLAD RAI BANSAL
Date: 2020.07.01 18:02:23 +05'30'

Prahlad Rai Bansal
Director

SUBRAMANIAN GOPALAKRISHNAN
Digitally signed by SUBRAMANIAN GOPALAKRISHNAN
Date: 2020.07.01 18:02:54 +05'30'

Subramanian Gopalakrishnan
Director

Place: Noida, India
Date: 01 July 2020