

# **Concept2Silicon Systems Private Limited**

**Financial Statements**

**Years ended 31 March 2018 and 2017**

**INDEPENDENT AUDITOR'S REPORT**

To the Members of Concept2Silicon Systems Private Limited

**Report on the Ind AS Financial Statements**

We have audited the accompanying Ind AS financial statements of Concept2Silicon Systems Private Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

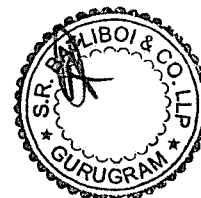
**Management's Responsibility for the Ind AS Financial Statements**

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these Ind AS financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Ind AS financial statements. We believe that the audit evidence we



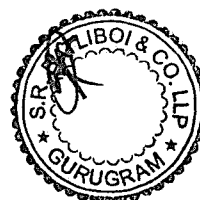
have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

**Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2018, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

**Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure 1" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by section 143 (3) of the Act, we report that:
  - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - (c) The Balance Sheet, Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;
  - (d) In our opinion, the aforesaid Ind AS financial statements comply with the Indian Accounting Standards specified under section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;
  - (e) On the basis of written representations received from the directors as on March 31, 2018, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018, from being appointed as a director in terms of section 164 (2) of the Act;
  - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company with reference to these Ind AS financial statements and the operating effectiveness of such controls, refer to our separate Report dated June 27, 2018 in "Annexure 2" to this report;
  - (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - i. The Company does not have any pending litigations which would impact its financial position;
    - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;



# **S.R. BATLIBOI & CO. LLP**

Chartered Accountants

- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the company.

For **S.R. Batliboi & CO. LLP**

Chartered Accountants

ICAI Firm Registration Number: 301003E/E300005



per **Nilangshu Katriar**

Partner

Membership Number: 58814

Place of Signature: Gurugram

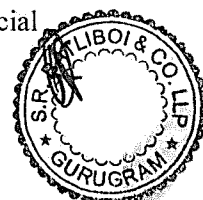
Date: June 27, 2018



**Annexure 1 referred to in paragraph 1 of the section on "Report on Other Legal and Regulatory Requirements" of our report of even date**

**Re: Concept2Silicon Systems Private Limited (the Company)**

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has plan in place to verify the fixed assets once in three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets.
- (c) According to the information and explanations given by the management, there are no immovable properties, included in property, plant and equipment of the Company and accordingly, the requirements under clause 3(i)(c) of the Order are not applicable to the Company.
- (ii) The Company's business does not involve inventories and, accordingly, the requirements under clause 3(ii) of the Order are not applicable to the Company.
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii)(a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities given in respect of which provisions of section 185 and 186 of the Companies Act 2013 are applicable and hence not commented upon.
- (v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.
- (vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under Section 148(1) of the Companies Act, 2013, for the products/services of the Company.
- (vii) (a) Undisputed statutory dues including provident fund, income-tax, goods and service tax, cess and other statutory dues have generally been regularly deposited with the appropriate authorities though there has been a slight delay in one case. The provisions relating to employees' state insurance, sales tax, duty of custom, duty of excise and value added tax are not applicable to the Company.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, income-tax, goods and service tax, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, there are no dues of provident fund, income-tax, goods and service tax, cess and other statutory dues which have not been deposited on account of any dispute.
- (viii) The Company did not have any outstanding loans or borrowing dues in respect of a financial institution or bank or to government or dues to debenture holders during the year.

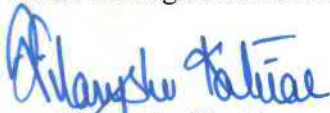


- (ix) According to the information and explanations given by the management, the Company has not raised any money way of initial public offer / further public offer / debt instruments) and term loans hence, reporting under clause (ix) is not applicable to the Company and hence not commented upon.
- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or no fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.
- (xi) According to the information and explanations given by the management, the provisions of section 197 read with Schedule V of the Act are not applicable to the Company and hence reporting under clause 3(xi) are not applicable and hence not commented upon.
- (xii) In our opinion, the Company is not a nidhi Company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.
- (xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards. The provisions of section 177 are not applicable to the Company and accordingly reporting under clause 3(xiii) insofar as it relates to section 177 of the Act is not applicable to the Company and hence not commented upon.
- (xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) are not applicable to the Company and, not commented upon.
- (xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of Companies Act, 2013.
- (xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

**For S.R. Batliboi & Co. LLP**

Chartered Accountants

ICAI Firm registration number: 301003E/E300005



per Nilangshu Katriar  
Partner

Membership Number: 58814



Place: Gurugram

Date: June 27, 2018



**ANNEXURE 2 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE  
FINANCIAL STATEMENTS OF CONCEPT2SILICON SYSTEMS PRIVATE LIMITED**

**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the  
Companies Act, 2013 ("the Act")**

We have audited the internal financial controls over financial reporting of Concept2Silicon Systems Private Limited ("the Company") as of March 31, 2018 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

**Management's Responsibility for Internal Financial Controls**

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting with reference to these financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting with reference to these financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting with reference to these financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls over financial reporting with reference to these financial statements.



**Concept2Silicon Systems Private Limited**  
**Balance Sheet as at 31 March 2018**

(All amounts in thousands of ₹)

	Note No.	As at 31 March 2018	As at 31 March 2017
<b>I. ASSETS</b>			
(1) Non-current assets			
(a) Property, plant and equipment	2.1	775	1,279
(b) Other intangible assets	2.2	4	25
(c) Deferred tax assets (net)	2.18	3,877	7,765
(2) Current assets			
(a) Financial assets			
(i) Trade receivables	2.3	10,873	44,898
(ii) Cash and cash equivalents	2.4	569	1,207
(iii) Others	2.5	5,165	12,580
(b) Current tax assets (net)		10,230	14,360
(c) Other current assets	2.6	6,033	1,243
<b>TOTAL ASSETS</b>		<b>37,526</b>	<b>83,357</b>
<b>II. EQUITY</b>			
(a) Equity share capital	2.7	150	150
(b) Other equity		20,943	11,726
<b>III. LIABILITIES</b>			
(1) Non-current liabilities			
(a) Provisions	2.8	795	1,432
(2) Current liabilities			
(a) Financial liabilities			
(i) Borrowings	2.9	11,342	50,642
(ii) Trade payables	2.10	-	1,688
(iii) Others	2.11	2,421	11,115
(b) Other current liabilities	2.12	1,662	6,199
(c) Provisions	2.8	213	405
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>37,526</b>	<b>83,357</b>

Summary of significant accounting policies

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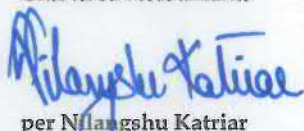
The accompanying notes are an integral part of the financial statements

As per our report of even date

**FOR S. R. BATLIBOI & CO. LLP**

ICAI Firm Registration Number: 301003E/E300005

Chartered Accountants


  
per Nilangshu Katriar  
Partner

Membership Number: 58814



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

  
**Prahlad Rai Bansal**  
Director

  
**Subramanian Gopalakrishnan**  
Director

Gurugram, India  
Date: 27 June 2018

Noida (UP), India  
Date: 27 June 2018



Concept2Silicon Systems Private Limited

Statement of Profit and Loss for the year ended 31 March 2018

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

	Note No.	Year ended 31 March 2018	Year ended 31 March 2017
<b>I Revenue</b>			
Revenue from operations	2.13	29,898	107,397
Other income	2.14	13,371	9
<b>Total income</b>		<b>43,269</b>	<b>107,406</b>
<b>II Expenses</b>			
Employee benefits expense	2.15	21,553	91,941
Finance costs	2.16	2,040	2,856
Depreciation and amortization expense	2.1 & 2.2	525	536
Other expenses	2.17	7,383	25,263
<b>Total expenses</b>		<b>31,501</b>	<b>120,596</b>
<b>III Profit/(Loss) before tax</b>		<b>11,768</b>	<b>(13,190)</b>
<b>IV Tax expense</b>	2.18		
Current tax		(1,258)	420
Deferred tax expense (credit)		3,864	(2,941)
<b>Total tax expense</b>		<b>2,606</b>	<b>(2,521)</b>
<b>V Profit/(Loss) for the year</b>		<b>9,162</b>	<b>(10,669)</b>
<b>VI Other comprehensive income</b>			
Items that will not be reclassified to statement of profit and loss			
Defined benefit plan actuarial gains/(losses)		79	1,582
Income tax effect		(24)	(545)
<b>Total other comprehensive income</b>		<b>55</b>	<b>1,037</b>
<b>VII Total Comprehensive Income for the year</b>		<b>9,217</b>	<b>(9,632)</b>
<b>Earnings per equity share of ₹ 1 each</b>	2.19		
Basic (in ₹)		61.08	(71.12)
Diluted (in ₹)		61.08	(71.12)
<b>Summary of significant accounting policies</b>	1		

The accompanying notes are an integral part of the financial statements

As per our report of even date

FOR S. R. BATLIBOI & CO. LLP

ICAI Firm Registration Number: 301003E/E300005

Chartered Accountants

*[Signature]*  
per Nilangshu Katriar  
Partner  
Membership Number: 58814



Gurugram, India  
Date: 27 June 2018

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

*[Signature]*  
Prahlaad Rai Bansal  
Director

*[Signature]*  
Subramanian Gopalakrishnan  
Director

Noida (UP), India  
Date: 27 June 2018

Concept2Silicon Systems Private Limited

Statement of Changes in Equity for the year ended 31 March 2018

(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 2016	150,000	150	21,358	21,508
Loss for the year	-	-	(10,669)	(10,669)
Other comprehensive income / (loss)	-	-	1,037	1,037
Total comprehensive income for the year	-	-	(9,632)	(9,632)
Balance as of 31 March 2017	150,000	150	11,726	11,876
Balance as of 1 April 2017	150,000	150	11,726	11,876
Profit for the year	-	-	9,162	9,162
Other comprehensive income / (loss)	-	-	55	55
Total comprehensive income for the year	-	-	9,217	9,217
Balance as of 31 March 2018	150,000	150	20,943	21,093

The accompanying notes are an integral part of the financial statements

As per our report of even date

FOR S. R. BATLIBOI & CO. LLP

ICAI Firm Registration Number: 301003E/E300005

Chartered Accountants

*Nilangshu Katriar*  
per Nilangshu Katriar  
Partner

Membership Number: 58814



Gurugram, India  
Date: 27 June 2018

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

*Prahlad Rai Bansal*  
Prahlad Rai Bansal  
Director

Noida (UP), India  
Date: 27 June 2018

*Subramanian Gopalakrishnan*  
Subramanian Gopalakrishnan  
Director



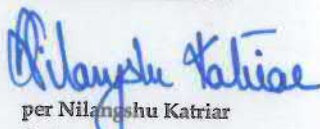
Concept2Silicon Systems Private Limited  
Cash flow statement

(All amounts in thousands of ₹)

	Year ended 31 March 2018	Year ended 31 March 2017
<b>A. Cash flows from operating activities</b>		
Profit/Loss before tax	11,768	(13,190)
Adjustment for:		
Depreciation and amortization	525	535
Interest expense	1,989	2,843
Provisions no longer required written back	(2,253)	-
Provision for doubtful debts/bad debts written off	-	13,655
Provision for doubtful debts written back	(10,951)	-
Provision for doubtful advance written back	(132)	-
Provision for doubtful advances	-	224
<b>Operating profit (loss) before working capital changes</b>	<b>946</b>	<b>4,068</b>
<b>Movement in Working Capital</b>		
(Increase) decrease in trade receivables	52,917	(44,166)
(Increase) decrease in other financial assets and other assets	2,757	(7,999)
Increase (decrease) in trade payables	(1,688)	37
Increase (decrease) in provisions, other financial liabilities and other liabilities	(19,323)	510
<b>Cash generated from (used in) operations</b>	<b>35,609</b>	<b>(47,550)</b>
Direct taxes paid (net of refunds)	5,387	(1,169)
<b>Net cash (used in) generated from operating activities (A)</b>	<b>40,996</b>	<b>(48,719)</b>
<b>B. Cash flows from financing activities</b>		
Proceeds from short term borrowings from holding company	29,200	30,887
Repayment of long term borrowings	(68,500)	(1,000)
Interest paid	(2,334)	(2,819)
<b>Net cash generated from financing activities (B )</b>	<b>(41,634)</b>	<b>27,069</b>
<b>Net (decrease) increase in cash and cash equivalents (A+B)</b>	<b>(638)</b>	<b>(21,650)</b>
Cash and cash equivalents at the beginning of the year	1,207	22,857
<b>Cash and cash balance at the end of the year as per note 2.4</b>	<b>569</b>	<b>1,207</b>

As per our report of even date.


FOR S. R. BATLIBOI & CO. LLP  
ICAI Firm Registration Number: 301003E/E300005  
Chartered Accountants


  
per Nilangshu Katriar  
Partner  
Membership Number: 58814



Gurugram, India  
Date: 27 June 2018

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

  
Prahlad Rai Bansal  
Director

  
Subramanian Gopalakrishnan  
Director

Noida (UP), India  
Date: 27 June 2018



## Concept2Silicon Systems Private Limited

### Notes to financial statements for the year ended 31 March 2018

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

#### Company Overview

Concept2Silicon Systems Private Limited hereinafter referred to as the 'Company' was incorporated under the provisions of the Companies Act applicable in India in the month of June, 2009, having its registered office at 71/72, 1st Floor, 6th Block, Jyoti Niwas, College Road, Industrial Layout, Koramangala, Bangalore-560095. The Company is primarily engaged in providing a range of software development services. On 15<sup>th</sup> of October 2015 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 Global Processing Services Limited.

The financial statements for the year ended 31 March, 2018 were approved and authorized for issue by the Board of Directors on 27 June 2018.

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### a) Basis of preparation

The financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time).

These financial statements have been prepared under the historical cost convention on an accrual and going concern basis except for the certain assets and liabilities which have been 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.

The Company uses the Indian Rupee ('₹') as its reporting currency.

##### b) Use of estimates

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

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





## Concept2Silicon Systems Private Limited

### Notes to financial statements for the year ended 31 March 2018

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

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*

Revenue is recognized when persuasive evidence of an arrangement exists, services have been rendered, the fee is determinable and collectability is reasonably assured. Contracts can be primarily categorized as time-and-material or fixed price contracts.

##### *Time-and-material contracts*

Revenue with respect to time-and-material contracts is recognized as the related services are performed.

##### *Fixed Price contracts*

Revenue related to contracts providing maintenance and support services, is recognized over the term of the contract.

##### *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.





## Concept2Silicon Systems Private Limited

### Notes to financial statements for the year ended 31 March 2018

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

#### f) Income taxes

Income tax expense comprises current and deferred income tax.

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

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 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 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 year that includes the enactment or the substantive enactment date. A deferred income tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilized.

#### g) Property, plant and equipment

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

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.





## Concept2Silicon Systems Private Limited

### Notes to financial statements for the year ended 31 March 2018

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

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:

<u>Asset description</u>	<u>Asset life (in years)</u>
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:

<u>Asset description</u>	<u>Asset life (in years)</u>
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.





## Concept2Silicon Systems Private Limited

### Notes to financial statements for the year ended 31 March 2018

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

#### j) Leases

##### *Company as a lessee*

A lease is classified at the inception date as a finance lease or an operating lease.

Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

#### k) 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.

#### l) 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.

#### m) Retirement and other employee benefits

##### **Defined Contribution plan:**

- i. 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.

##### **Unfunded Benefit plan:**

- i. 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.
- ii. Contributions to provident fund, a defined benefit plan, are deposited with Recognized Provident Fund Trusts, set up by the ultimate holding Company. The liability is actuarially determined at the end of the year. Actuarial losses/ gains are recognized in the statement of profit and loss in the year in which they arise. 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.
- iii. Compensated absences: With effect from 01<sup>st</sup> January 2016, the employees of the Company are entitled to compensated absences which are both accumulating and non-accumulating in nature. The expected cost





## Concept2Silicon Systems Private Limited

### Notes to financial statements for the year ended 31 March 2018

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

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 period in which the absences occur.

#### 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 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 and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

##### *Financial instruments at amortized cost*

A financial instrument is measured at the amortized cost if both the following conditions are met:

- a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

##### *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.





## Concept2Silicon Systems Private Limited

### Notes to financial statements for the year ended 31 March 2018

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

#### 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 including bank overdrafts 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.

#### o) 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.

#### p) Recently issued accounting pronouncements

On 28 March 2018, the Ministry of Corporate Affairs (MCA), notified Companies (Indian Accounting Standards) (Amendments) Rules, 2018, amending the following standards:

#### **Appendix B to Ind AS 21, 'Foreign Currency Transactions and Advance Consideration'**

The amendment clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration.

The Appendix is effective for annual periods beginning on or after 1 April 2018. However, since the Company's current practice is in line with the Interpretation, the Company does not expect any effect on its financial statements.





## Concept2Silicon Systems Private Limited

### Notes to financial statements for the year ended 31 March 2018

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

#### Ind AS 115, Revenue from Contract with Customers

Ind AS 115 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Ind AS 115 will supersede the current revenue recognition standard Ind AS 18 Revenue, Ind AS 11 Construction Contracts. The effective date for adoption of Ind AS 115 is financial periods beginning on or after April 1, 2018.

The core principle of Ind AS 115 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under Ind AS 115, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

The standard permits two possible methods of transition:

- o Retrospective approach-Under this approach the standard will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8 - Accounting Policies, Changes in Accounting Estimates and Errors
- o Retrospectively with cumulative effect of initially applying the standard recognized at the date of initial application (Cumulative catch - up approach)

The company is currently evaluating the impact that the adoption of this new standard will have on its financial statements.



## 2. Notes to financial statements

## 2.1 Property, plant and equipment

## The changes in the carrying value for the year ended 31 March 2018

	Gross block			Accumulated depreciation				Net block		
	As at 1 April 2017	Additions	Deletions	As at 31 March 2018	As at 1 April 2017	Charge for the period	Deletions / Adjustments	As at 31 March 2018	As at 31 March 2018	As at 31 March 2017
Plant and machinery	374	-	208	166	234	21	208	47	119	140
Office Equipment	509	-	198	311	320	92	198	214	97	189
Computers	3,588	-	2,310	1,278	2,775	357	2,310	822	456	813
Furniture and fittings	217	-	33	184	80	34	33	81	103	137
<b>Total</b>	<b>4,688</b>	<b>-</b>	<b>2,749</b>	<b>1,939</b>	<b>3,409</b>	<b>504</b>	<b>2,749</b>	<b>1,164</b>	<b>775</b>	<b>1,279</b>

## The changes in the carrying value for the year ended 31 March 2017

	Gross block			Accumulated depreciation				Net block		
	As at 1 April 2016	Additions	Deletions	As at 31 March 2017	As at 1 April 2016	Charge for the period	Deletions / Adjustments	As at 31 March 2017	As at 31 March 2017	As at 1 April 2016
Plant and machinery	374	-	-	374	213	21	-	234	140	161
Office Equipment	509	-	-	509	228	92	-	320	189	281
Computers	3,588	-	-	3,588	2,417	358	-	2,775	813	1,171
Furniture and fittings	217	-	-	217	46	34	-	80	137	171
<b>Total</b>	<b>4,688</b>	<b>-</b>	<b>-</b>	<b>4,688</b>	<b>2,904</b>	<b>505</b>	<b>-</b>	<b>3,409</b>	<b>1,279</b>	<b>1,784</b>

## 2.2 Other intangible assets

## The changes in the carrying value for the year ended 31 March 2018

	Gross block			Accumulated amortization				Net block		
	As at 1 April 2017	Additions	Deletions	As at 31 March 2018	As at 1 April 2017	Charge for the period	Deletions / Adjustments	As at 31 March 2018	As at 31 March 2018	As at 31 March 2017
Software	196	-	120	76	171	21	120	72	4	25
<b>Total</b>	<b>196</b>	<b>-</b>	<b>120</b>	<b>76</b>	<b>171</b>	<b>21</b>	<b>120</b>	<b>72</b>	<b>4</b>	<b>25</b>

## The changes in the carrying value for the year ended 31 March 2017

	Gross block			Accumulated amortization				Net block		
	As at 1 April 2016	Additions	Deletions	As at 31 March 2017	As at 1 April 2016	Charge for the period	Deletions / Adjustments	As at 31 March 2017	As at 31 March 2017	As at 1 April 2016
Software	196	-	-	196	140	31	-	171	25	56
<b>Total</b>	<b>196</b>	<b>-</b>	<b>-</b>	<b>196</b>	<b>140</b>	<b>31</b>	<b>-</b>	<b>171</b>	<b>25</b>	<b>56</b>





**Concept2Silicon Systems Private Limited**

**Notes to financial statements for the year ended 31 March 2018**

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

**2.3 Trade Receivable**

	As at	
	31 March 2018	31 March 2017
Unsecured considered good	1,064	2,128
Unsecured considered good-related party (refer note 2.26)	9,809	42,770
Unsecured considered doubtful	4,288	23,180
	15,161	68,078
Provision for doubtful receivables	(4,288)	(23,180)
	10,873	44,898

**2.4 Cash and cash equivalent**

	As at	
	31 March 2018	31 March 2017
Balance with banks		
- in current accounts	569	1,207
	569	1,207

**2.5 Other financial assets**

	As at	
	31 March 2018	31 March 2017
<b>Current</b>		
<b>Carried at amortized cost</b>		
Unbilled revenue	-	220
Unbilled revenue - related party (refer note 2.26)	1,681	7,460
Security deposits	3,484	4,900
	5,165	12,580

**2.6 Other current assets**

	As at	
	31 March 2018	31 March 2017
<b>Unsecured, considered good</b>		
Advances other than capital advances		
Advances to related parties (refer note 2.26)	22	-
Advances to employees	-	849
<b>Others</b>		
Prepaid expenses	91	382
Other receivables	5,920	12
	6,033	1,243
<b>Unsecured, considered doubtful</b>		
Advances other than capital advances		
Advances to employees	164	296
Less: Provision for doubtful advances	(164)	(296)
	-	-
	6,033	1,243





**Concept2Silicon Systems Private Limited****Notes to financial statements for the year ended 31 March 2018**

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

**2.7 Share Capital**

	As at	
	31 March 2018	31 March 2017
<b>Authorized</b> 2,000,000 (31 March 2017, 2,000,000) equity shares of ₹ 1	2,000	2,000
<b>Issued, subscribed and fully paid up</b> 150,000 (31 March 2017, 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 2018		31 March 2017	
	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 2018		31 March 2017	
	No. of shares	% holding in the class	No. of shares	% holding in the class
HCL 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 2018		31 March 2017	
	No. of shares	% holding in the class	No. of shares	% holding in the class
Equity shares of ₹ 1 each fully paid HCL Global Processing Services Limited	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 2018**

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

**2.13 Revenue from operations**

	Year ended	
	31 March 2018	31 March 2017
Sale of services	29,898	107,397
	29,898	107,397

**2.14 Other income**

	Year ended	
	31 March 2018	31 March 2017
Provision no longer required written back (net) (refer note 2.27)	2,253	-
Provision for doubtful debts and advances written back (net)	11,083	-
Exchange differences (net)	35	9
	13,371	9

**2.15 Employee benefits expense**

	Year ended	
	31 March 2018	31 March 2017
Salaries, wages and bonus	19,934	87,379
Gratuity Expense	840	564
Contribution to provident fund and other employee funds	778	3,758
Staff welfare expenses	1	240
	21,553	91,941

**2.16 Finance cost**

	Year ended	
	31 March 2018	31 March 2017
Interest		
-on loans from banks	-	3
-others	1,989	2,840
Bank charges	51	13
	2,040	2,856





**Concept2Silicon Systems Private Limited**

**Notes to financial statements for the year ended 31 March 2018**

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

**2.17 Other expenses**

	Year ended	
	31 March 2018	31 March 2017
Rent and hire charges	5,439	6,435
Power and fuel	533	732
Repairs and maintenance		
- Plant and machinery	-	38
- Buildings	810	507
Communication costs	552	1,538
Insurance	-	96
Travel and conveyance	-	811
Legal and professional charges	-	1,039
Printing and stationery	-	49
Rates and taxes	49	78
Provision for doubtful advances / advances written off	-	224
Provision for doubtful debts/ bad debts written off	-	13,655
Miscellaneous expenses	-	61
	<b>7,383</b>	<b>25,263</b>

**2.18 Income taxes**

	Year ended	
	31 March 2018	31 March 2017
<b>Income tax charged to statement of profit and loss</b>		
Current income tax charge	(1,258)	420
Deferred tax charge (credit)	3,864	(2,941)
	<b>2,606</b>	<b>(2,521)</b>
<b>Income tax charged to other comprehensive income</b>		
Expense (benefit) on re-measurements of defined benefit plans	(24)	(545)
	<b>(24)</b>	<b>(545)</b>

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 2018	31 March 2017
Profit before income tax	11,768	(13,190)
Statutory tax rate in India	25.8%	30.9%
Expected tax expense	3,030	-
Tax Expense/benefit recognised on taxable losses	-	(4,076)
Income tax refund (net of tax)	(934)	-
Tax on income taxed at a lower / higher rate	37	1,469
Tax of prior years	466	-
Others	7	86
<b>Total taxes</b>	<b>2,606</b>	<b>(2,521)</b>
<b>Effective income tax rate</b>	<b>22.14%</b>	<b>19.12%</b>



Concept2Silicon Systems Private Limited

Notes to financial statements for the year ended 31 March 2018

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

Components of deferred tax assets and liabilities as on 31 March 2018

	Opening balance	Recognized in profit and loss	Recognised in / reclassified from OCI	Closing balance
<b>Deferred tax assets</b>				
MAT credit entitlement	420	-	-	420
Business losses	863	1,473	-	2,336
Provision for doubtful debts	6,045	(4,887)	-	1,158
Accrued employee costs	892	(536)	-	356
Others	85	(5)	-	80
<b>Gross deferred tax assets (A)</b>	<b>8,305</b>	<b>(3,955)</b>	<b>-</b>	<b>4,350</b>
<b>Deferred tax liabilities</b>				
Accrued employee costs	407	-	24	431
Depreciation and amortization	133	(91)	-	42
<b>Gross deferred tax liabilities (B)</b>	<b>540</b>	<b>(91)</b>	<b>24</b>	<b>473</b>
<b>Net deferred tax assets (A-B)</b>	<b>7,765</b>	<b>(3,864)</b>	<b>(24)</b>	<b>3,877</b>

Components of deferred tax assets and liabilities as on 31 March 2017

	Opening balance	Recognized in profit and loss	Recognised in / reclassified from OCI	Closing balance
<b>Deferred tax assets</b>				
MAT credit entitlement	-	420	-	420
Business losses	786	77	-	863
Provision for doubtful debts	2,965	3,080	-	6,045
Accrued employee costs	1,719	(282)	(545)	892
Others	89	(4)	-	85
<b>Gross deferred tax assets (A)</b>	<b>5,559</b>	<b>3,291</b>	<b>(545)</b>	<b>8,305</b>
<b>Deferred tax liabilities</b>				
Accrued employee costs	-	407	-	407
Depreciation and amortization	190	(57)	-	133
<b>Gross deferred tax liabilities (B)</b>	<b>190</b>	<b>350</b>	<b>-</b>	<b>540</b>
<b>Net deferred tax assets (A-B)</b>	<b>5,369</b>	<b>2,941</b>	<b>(545)</b>	<b>7,765</b>





**Concept2Silicon Systems Private Limited****Notes to financial statements for the year ended 31 March 2018**

(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 2018	31 March 2017
Net Profit/(loss) as per statement of profit and loss	9,162	(10,669)
Weighted average number of equity shares outstanding	150,000	150,000
Dilutive effect	-	-
Weighted average number of equity shares outstanding	150,000	150,000
Nominal value of equity shares (in ₹)	1	1
Earnings per equity share (in ₹)		
- Basic	61.08	(71.12)
- Diluted	61.08	(71.12)

**2.20 Operating lease**

The Company leases office spaces and accommodation for its employees under operating lease agreements. The lease rental expense relating to real estate recognised in the statement of profit and loss for the year is ₹ 5,439 thousand (Previous year ₹ 6,435 thousand).

**2.21 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.

**2.22 Financial instruments****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 revenue. 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.



**Concept2Silicon Systems Private Limited****Notes to financial statements for the year ended 31 March 2018**

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

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

	As at	
	31 March 2018	31 March 2017
Balance at the beginning of the year	23,180	9,525
Provision written off/ additional provision during the year	(18,892)	13,655
Balance at the end of the year	4,288	23,180

**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.

**2.23 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 2018	31 March 2017
Employer's contribution to Employee's Pension Scheme	156	644
	156	644

**B. Defined benefit plans**

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

**Gratuity**

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

**Statement of profit and loss**

	Year ended	
	31 March 2018	31 March 2017
Current Service cost	691	307
Interest cost	149	257
Net benefit expense	840	564





**Concept2Silicon Systems Private Limited**

**Notes to financial statements for the year ended 31 March 2018**

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

**2.23 Employee benefits (continued)**

**Balance Sheet**

	As at	
	31 March 2018	31 March 2017
Defined benefit obligations	479	673
Fair value of plan assets	-	-
	479	673
Less: Unrecognized past service cost	-	-
<b>Net plan liability</b>	<b>479</b>	<b>673</b>
Current defined benefit obligations	-	-
Non-current defined benefit obligations	-	-

**Changes in present value of the defined benefit obligations**

	Year ended	
	31 March 2018	31 March 2017
Opening defined benefit obligations	673	3,671
Current service cost	691	307
Interest cost	149	257
Re-measurement gains (losses) in OCI		
Actuarial changes arising from changes in demographic assumptions	6	-
Actuarial changes arising from changes in financial assumptions	(20)	125
Experience adjustments	(65)	(2,123)
Benefits paid	(955)	(1,564)
<b>Closing defined benefit obligations</b>	<b>479</b>	<b>673</b>

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

	Year ended	
	31 March 2018	31 March 2017
Opening fair value of plan assets	-	-
Closing fair value of plan assets	-	-

**The principal assumptions used in determining gratuity for the Company's plans are shown below:**

	As at	
	31 March 2018	31 March 2017
Discount rate	7.50%	6.90%
Estimated Rate of salary increases	7.00%	7.00%
Employee Turnover	22.00%	23.00%
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.





**Concept2Silicon Systems Private Limited****Notes to financial statements for the year ended 31 March 2018**

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

**2.23 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 2018 arising due to an increase / decrease in key actuarial assumptions by 50 basis points:

	Discount rate	Salary escalation rate
Impact of increase	(15)	16
Impact of decrease	16	(15)

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 2018 as follows:

Year ending 31 March ,	Cash flows ( ₹ in thousands)
- 2019	39
- 2020	150
- 2021	214
- 2022	195
- 2023	148
- Thereafter	2,866

The weighted average duration of the payment of these cash flows is 6.50 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 2018.

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

	Year ended	
	31 March 2018	31 March 2017
Government of India (GOI) bond yield	7.60%	6.90%
Remaining term of maturity	8.51 years	8.61 years
Expected guaranteed interest rate	8.55%	8.65%

During the year ended 31 Mar 2018, the Company has contributed ₹ 622 thousand, (Previous year, ₹ 3,113 thousand) towards employer's contribution to the provident fund.

**2.24 Payment to auditors**

	Year ended	
	31 March 2018	31 March 2017
Audit fees	160	110
	160	110





**Concept2Silicon Systems Private Limited****Notes to financial statements for the year ended 31 March 2018**

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

**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, 2018 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 Related party transactions****a) List of related parties and relationship**

HCL Global Processing Services Limited  
HCL Technologies Limited

Holding Company  
Ultimate Holding Company

**b) Transactions with related parties**

	Ultimate Holding Company		Holding Company	
	Year ended		Year ended	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Sale of services	22,636	44,762	-	-
Interest on short term borrowings	-	-	1,989	2,840

**c) Outstanding balances with related parties**

	Ultimate Holding Company		Holding Company	
	As at		As at	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Trade receivables	9,809	42,770	-	-
Unbilled revenue	1,681	7,460	-	-
Other advances	22	-	-	-
Borrowings	-	-	11,342	50,642
Other payables	-	781	-	670
Interest accrued on borrowings	-	-	372	717

**2.27 Provision no longer required written back**

In current year, the company has written back provisions for expenses made in earlier years amounting to ₹ 3,181 thousand and accordingly, amount of ₹ 928 thousand has been adjusted against relevant expenses head, as given below, and amount in excess of current year expenses is presented under other income.

	Year ended 31 March 2018
Legal and professional charges	453,022
Repairs and maintenance	209,034
Communication costs	229,156
Other	36,784
	927,996





**Concept2Silicon Systems Private Limited**

**Notes to financial statements for the year ended 31 March 2018**

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

**3. Previous year comparatives**

The company has changed its presentation from "₹" to "₹ in thousands". Accordingly, the figure of previous year have been rearranged to confirm to the current year presentation.

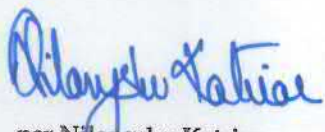
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As per our report of even date

**FOR S. R. BATLIBOI & CO. LLP**

ICAI Firm Registration Number : 301003E/E300005

Chartered Accountants



per Nilangshu Katriar

Partner

Membership Number: 58814



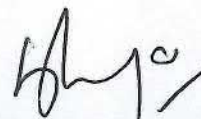
Gurugram, India

Date : 27 June 2018

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



Prahlad Rai Bansal  
Director



Subramanian Gopalakrishnan  
Director

Noida (UP), India

Date : 27 June 2018