

# **HCL Comnet Systems and Services Limited**

## **Financial Statements**

For the year ended 31 March 2023 and 2022

# B S R & Co. LLP

Chartered Accountants

Building No. 10, 12th Floor, Tower-C,  
DLF Cyber City, Phase - II,  
Gurugram - 122 002, India  
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## Independent Auditor's Report

To the Members of HCL Comnet Systems and Services Limited

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of HCL Comnet Systems and Services Limited (the "Company") which comprise the balance sheet as at 31 March 2023, and the statement of profit and loss (including other comprehensive income), statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India relating to the liquidation basis of accounting, of the state of affairs of the Company as at 31 March 2023, and its profit and other comprehensive loss, changes in equity and its cash flows for the year ended on that date.

#### Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under Section 143(10) of the Act. Our responsibilities under those SAs are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the financial statements.

#### Emphasis of Matter(s)

We draw attention to Note 1 (a) to the financial statements, which explains that in view of suspension of business during the year, the going concern assumption is not appropriate for the preparation of financial statements of the Company as at and for the year ended 31 March 2023. Accordingly, the financial statements of the Company have been prepared on a liquidation basis i.e. assets are measured at lower of carrying amount and estimated net realizable values and liabilities are stated at their estimated settlement amounts in the financial statements.

Our opinion is not modified in respect of this matter.

#### Other Information

The Company's Management and Board of Directors are responsible for the other information. The other information comprises the information included in the Company's directors' report, but does not include the financial statements and auditor's report(s) thereon.

**Independent Auditor's Report (Continued)**  
**HCL Comnet Systems and Services Limited**

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Management's and Board of Directors' Responsibilities for the Financial Statements**

The Company's Management and Board of Directors are responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the state of affairs, profit/ loss and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India relating to the liquidation basis of accounting, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act. 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 design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management and Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. In the present case the Board of Directors has ceased the operations of the company during the year.

The Board of Directors is also responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management and Board of Directors.



**Independent Auditor's Report (Continued)**  
**HCL Comnet Systems and Services Limited**

- Conclude on the appropriateness of the Management and Board of Directors use of the going concern basis of accounting in preparation of financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern. In the present case, liquidation basis of accounting has been used since the Management and Board of Directors have concluded that the use of going concern basis is not appropriate in the facts and circumstances as stated in Note 1 (a).
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2020 ("the Order") issued by the Central Government of India in terms of Section 143(11) of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
- 2 A. 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 purposes 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, the statement of profit and loss (including other comprehensive income), the statement of changes in equity and the statement of cash flows dealt with by this Report are in agreement with the books of account.
  - d. In our opinion, the aforesaid financial statements comply with the Ind AS specified under Section 133 of the Act.
  - e. The matter described in the Emphasis of Matter paragraph above, in our opinion, may have an adverse effect on the functioning of the Company.
  - f. On the basis of the written representations received from the directors as on 31 March 2023 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2023 from being appointed as a director in terms of Section 164(2) of the Act.
  - g. With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".
- B. 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:



**Independent Auditor's Report (Continued)**

**HCL Comnet Systems and Services Limited**

- a. The Company has disclosed the impact of pending litigations as at 31 March 2023 on its financial position in its financial statements - Refer Note 2.24 to the financial statements.
  - b. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
  - c. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
  - d (i) The management has represented that, to the best of its knowledge and belief, as disclosed in the Note 2.29 to the financial statements, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
  - (ii) The management has represented that, to the best of its knowledge and belief, as disclosed in the Note 2.29 to the financial statements, no funds have been received by the Company from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Parties ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
  - (iii) Based on the audit procedures performed that have been considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (i) and (ii) of Rule 11(e), as provided under (i) and (ii) above, contain any material misstatement.
  - e. The Company has neither declared nor paid any dividend during the year.
  - f. As proviso to rule 3(1) of the Companies (Accounts) Rules, 2014 is applicable for the Company only with effect from 1 April 2023, reporting under Rule 11(g) of the Companies (Audit and Auditors) Rules, 2014 is not applicable.
- C. In our opinion and according to the information and explanations given to us, the Company is not a public company. Accordingly, the provisions of Section 197 of the Act are not applicable to the Company. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) of the Act which are required to be commented upon by us.

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

*Chartered Accountants*

Firm's Registration No.:101248WW-100022



**Rakesh Dewan**

*Partner*

Place: Gurugram

Date: 04 July 2023

Membership No.: 092212

ICAI UDIN:23092212BGXMAR4572

**Annexure A to the Independent Auditor's Report on the Financial Statements of HCL Comnet Systems and Services Limited for the year ended 31 March 2023**

**(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)**

(i) (a) (A) The Company has maintained proper records showing full particulars, including quantitative details and situation of Property, Plant and Equipment.

(B) The Company has maintained proper records showing full particulars of intangible assets.

(i) (b) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has a regular programme of physical verification of its Property, Plant and Equipment by which all property, plant and equipment are verified once in three years. The Property, Plant and Equipment were fully depreciated during the previous year. Therefore, no physical verification was carried out during the year.

(c) The Company does not have any immovable property (other than immovable properties where the Company is the lessee and the leases agreements are duly executed in favour of the lessee). Accordingly, clause 3(i)(c) of the Order is not applicable.

(d) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not revalued its Property, Plant and Equipment or intangible assets or both during the year.

(e) According to the information and explanations given to us and on the basis of our examination of the records of the Company, there are no proceedings initiated or pending against the Company for holding any benami property under the Prohibition of Benami Property Transactions Act, 1988 and rules made thereunder.

(ii) (a) The Company is a service company. Accordingly, it does not hold any physical inventories. Accordingly, clause 3(ii)(a) of the Order is not applicable.

(b) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not been sanctioned any working capital limits in excess of five crore rupees in aggregate from banks and financial institutions on the basis of security of current assets at any point of time of the year. Accordingly, clause 3(ii)(b) of the Order is not applicable to the Company.

(iii) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not made any investments, provided guarantee or security or granted any loans or advances in the nature of loans, secured or unsecured, to companies, firms, limited liability partnerships or any other parties during the year. Accordingly, provisions of clauses 3(iii)(a) to 3(iii)(f) of the Order are not applicable to the Company.

(iv) According to the information and explanations given to us and on the basis of our examination of records of the Company, the Company has neither made any investments nor has it given loans or provided guarantee or security and therefore the relevant provisions of Sections 185 and 186 of the Companies Act, 2013 ("the Act") are not applicable to the Company. Accordingly, clause 3(iv) of the Order is not applicable.

(v) The Company has not accepted any deposits or amounts which are deemed to be deposits from the public. Accordingly, clause 3(v) of the Order is not applicable.

(vi) According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under Section 148(1) of the Act for the services provided by it. Accordingly, clause 3(vi) of the Order is not applicable.

(vii) (a) The Company does not have liability in respect of Service tax, Duty of excise, Sales tax and Value added tax during the year since effective 1 July 2017, these statutory dues has been subsumed into GST.

**Annexure A to the Independent Auditor's Report on the Financial Statements of HCL Comnet Systems and Services Limited for the year ended 31 March 2023 (Continued)**

According to the information and explanations given to us and on the basis of our examination of the records of the Company, in our opinion amounts deducted / accrued in the books of account in respect of undisputed statutory dues including Goods and Service Tax, Provident Fund, Employees State Insurance, Income-Tax, Duty of Customs or Cess or other statutory dues have been regularly deposited by the Company with the appropriate authorities.

According to the information and explanations given to us and on the basis of our examination of the records of the Company, no undisputed amounts payable in respect of Goods and Service Tax, Provident Fund, Employees State Insurance, Income-Tax, Duty of Customs or Cess or other statutory dues were in arrears as at 31 March 2023 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us and on the basis of our examination of the records of the Company, statutory dues relating to Income-Tax which have not been deposited on account of any dispute are as follows:

Name of the statute	Nature of the dues	Amount (Rs. Lakhs)	Period to which the amount relates	Forum where dispute is pending	Remark (if any)
Income Tax Act, 1961	Income Tax	3.64	FY 2016-17	Commission of Income Tax (Appeals), Delhi	
Income Tax Act, 1961	Income Tax	51.32	FY 2020-21	Commissioner of Income Tax (Appeals), Delhi	

\*Amount represents amount demanded in demand orders and excludes interest and penalty as may be applicable thereon.

- (viii) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not surrendered or disclosed any transactions, previously unrecorded as income in the books of account, in the tax assessments under the Income Tax Act, 1961 as income during the year.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company did not have any loans or borrowings from any lender during the year. Accordingly, clause 3(ix)(a) of the Order is not applicable to the Company.
- (b) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not been declared a wilful defaulter by any bank or financial institution or government or government authority.
- (c) According to the information and explanations given to us by the management, the Company has not obtained any term loans during the year. Accordingly, clause 3(ix)(c) of the Order is not applicable.
- (d) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds have been raised on short-term basis by the Company. Accordingly, clause 3(ix)(d) of the Order is not applicable.

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**Annexure A to the Independent Auditor's Report on the Financial Statements of HCL Comnet Systems and Services Limited for the year ended 31 March 2023 (Continued)**

- (e) According to the information and explanations given to us and on an overall examination of the financial statements of the Company, we report that the Company has not taken any funds from any entity or person on account of or to meet the obligations of its subsidiaries, associates or joint ventures as defined under the Act.
- (f) According to the information and explanations given to us and procedures performed by us, we report that the Company has not raised loans during the year on the pledge of securities held in its subsidiaries, joint ventures or associate companies (as defined under the Act).
- (x) (a) The Company has not raised any moneys by way of initial public offer or further public offer (including debt instruments). Accordingly, clause 3(x)(a) of the Order is not applicable.
- (b) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, clause 3(x)(b) of the Order is not applicable.
- (xi) (a) Based on examination of the books and records of the Company and according to the information and explanations given to us, considering the principles of materiality outlined in Standards on Auditing, we report that no fraud by the Company or on the Company has been noticed or reported during the course of the audit.
- (b) According to the information and explanations given to us, no report under sub-section (12) of Section 143 of the Act has been filed by the auditors in Form ADT-4 as prescribed under Rule 13 of the Companies (Audit and Auditors) Rules, 2014 with the Central Government.
- (c) Based on the information and explanations provided to us, the Company does not have a vigil mechanism and is not required to have a vigil mechanism as per the Act or SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- (xii) According to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, clause 3(xii) of the Order is not applicable.
- (xiii) The Company is a private limited company and accordingly the requirements as stipulated by the provisions of Section 177 of the Act are not applicable to the Company. In our opinion and according to the information and explanations given to us and on the basis of our examination of records of the Company, transactions with the related parties are in compliance with Section 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- (xiv) (a) In our opinion and based on the information and explanations provided to us, the Company does not have an Internal Audit system and is not required to have an internal audit system as per Section 138 of the Act.
- (b) In our opinion and based on the information and explanations provided to us, the Company does not have an internal audit system and is not required to have an internal audit system as per Section 138 of the Act. Accordingly, clause 3(xiv)(b) of the Order is not applicable.
- (xv) In our opinion and according to the information and explanations given to us, the Company has not entered into any non-cash transactions with its directors or persons connected to its directors and hence, provisions of Section 192 of the Act are not applicable to the Company.
- (xvi) (a) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, clause 3(xvi)(a) of the Order is not applicable.
- (b) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, clause 3(xvi)(b) of the Order is not applicable.
- (c) The Company is not a Core Investment Company (CIC) as defined in the regulations made by the Reserve Bank of India. Accordingly, clause 3(xvi)(c) of the Order is not applicable.

*P. Bhatnagar*



**Annexure A to the Independent Auditor's Report on the Financial Statements of HCL Comnet Systems and Services Limited for the year ended 31 March 2023 (Continued)**

- (d) The Company is not part of any group (as per the provisions of the Core Investment Companies (Reserve Bank) Directions, 2016 as amended). Accordingly, the requirements of clause 3(xvi)(d) are not applicable.
- (xvii) The Company has not incurred cash losses in the current and in the immediately preceding financial year.
- (xviii) There has been no resignation of the statutory auditors during the year. Accordingly, clause 3(xviii) of the Order is not applicable.
- (xix) According to the information and explanations given to us and on the basis of the financial ratios, ageing and expected dates of realisation of financial assets and payment of financial liabilities, other information accompanying the financial statements, our knowledge of the Board of Directors and management plans and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report that the Company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the Company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the Company as and when they fall due.
- (xx) The requirements as stipulated by the provisions of Section 135 are not applicable to the Company. Accordingly, clauses 3(xx)(a) and 3(xx)(b) of the Order are not applicable.

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

*Chartered Accountants*

Firm's Registration No.:101248W/W-100022



**Rakesh Dewan**

*Partner*

Place: Gurugram

Date: 04 July 2023

Membership No.: 092212

ICAI UDIN:23092212BGXMAR4572

**Annexure B to the Independent Auditor's Report on the financial statements of HCL Comnet Systems and Services Limited for the year ended 31 March 2023**

**Report on the internal financial controls with reference to the aforesaid financial statements under Clause (i) of Sub-section 3 of Section 143 of the Act**

**(Referred to in paragraph 2(A)(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)**

**Opinion**

We have audited the internal financial controls with reference to financial statements of HCL Comnet Systems and Services Limited ("the Company") as of 31 March 2023 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at 31 March 2023, based on the internal financial controls with reference to financial statements 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 (the "Guidance Note").

**Management's and Board of Directors' Responsibilities for Internal Financial Controls**

The Company's Management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note. 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 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 Act.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements. 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 with reference to financial statements were 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 with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to 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 Company's internal financial controls with reference to financial statements.

**Meaning of Internal Financial Controls with Reference to Financial Statements**

A company's internal financial controls with reference to financial statements is a process designed to

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**Annexure B to the Independent Auditor's Report on the financial statements of HCL Comnet Systems and Services Limited for the year ended 31 March 2023 (Continued)**

provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to financial statements include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

**Inherent Limitations of Internal Financial Controls with Reference to Financial Statements**

Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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

*Chartered Accountants*

Firm's Registration No.:101248WW-100022



**Rakesh Dewan**

*Partner*

Place: Gurugram

Date: 04 July 2023

Membership No.: 092212

ICAI UDIN:23092212BGXMAR4572

## HCL Comnet Systems and Services Limited

## Balance Sheet

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

	Note No.	As at 31 March 2023	As at 31 March 2022
<b>I. ASSETS</b>			
(1) Non-current assets			
(a) Property, plant and equipment	2.1	-	-
(b) Other intangible assets	2.2	-	-
<b>Total non-current assets</b>		-	-
(2) Current assets			
(a) Financial Assets			
(i) Investments	2.3	138,365	69,175
(ii) Trade receivables			
Billed	2.4	2,945	35,278
Unbilled	2.4	-	15,779
(iii) Cash and cash equivalents and other bank balances	2.5	2,237	2,607
(iv) Others	2.6	469	-
(b) Current tax assets (net)		151,983	154,202
(c) Other current assets	2.7	5,739	21,659
<b>Total current assets</b>		<b>301,738</b>	<b>298,700</b>
<b>TOTAL ASSETS</b>		<b>301,738</b>	<b>298,700</b>
<b>II. EQUITY</b>			
(a) Equity share capital	2.8	12,800	12,800
(b) Other equity		22,872	17,445
<b>TOTAL EQUITY</b>		<b>35,672</b>	<b>30,245</b>
<b>III. LIABILITIES</b>			
(1) Current liabilities			
(a) Financial Liabilities			
(i) Trade payables			
1. Dues of micro enterprises and small enterprises	2.27	-	3
2. Dues of creditors other than micro enterprises and small enterprises	2.10	687	6,044
Unbilled and accruals	2.10	14,355	7,944
(ii) Others	2.11	-	3,118
(b) Provisions	2.9	247,980	249,205
(c) Other current liabilities	2.12	3,044	2,141
<b>Total current liabilities</b>		<b>266,066</b>	<b>268,455</b>
<b>TOTAL LIABILITIES</b>		<b>266,066</b>	<b>268,455</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>301,738</b>	<b>298,700</b>

## Summary of significant accounting policies

1

The accompanying notes are an integral part of the financial statements

As per our report of even date attached

For BSR &amp; Co. LLP

Firm's Registration No.: 101248W/W-100022


Chartered Accountants

  
 Rakesh Dewan  
 Partner

Membership Number: 092212

Place: Gurugram, India

Date: 04 July 2023

For and on behalf of the Board of Directors  
of HCL Comnet Systems and Services Limited
  
 Atul Kumar Jain  
 Director  
 DIN - 03016822

Place: Noida (UP), India

Date: 04 July 2023

  
 Goutam Rungta  
 Director  
 DIN - 08599656

## HCL Comnet Systems and Services Limited

## Statement of Profit and Loss

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

	Note No.	Year ended 31 March 2023	Year ended 31 March 2022
<b>I Revenue</b>			
Revenue from operations	2.13	4,739	148,076
Other income	2.14	41,515	12,367
<b>Total income</b>		<b>46,254</b>	<b>160,443</b>
<b>II Expenses</b>			
Employee benefits expense	2.15	630	14,722
Outsourcing costs		99	119
Finance costs	2.16	267	76
Depreciation and amortization expense	2.1 & 2.2	-	17,208
License and transponder fees		7,049	77,533
Other expenses	2.17	32,193	36,420
<b>Total expenses</b>		<b>40,238</b>	<b>146,078</b>
<b>III Profit before tax</b>		<b>6,016</b>	<b>14,365</b>
<b>IV Tax expense</b>			
Deferred tax (credit)		153	(66)
<b>Total tax expense</b>	2.18	153	(66)
<b>V Profit for the year</b>		<b>5,863</b>	<b>14,431</b>
<b>VI Other comprehensive income/(loss)</b>			
i) Items that will not be reclassified to statement of profit and loss		(589)	254
ii) Income tax on items that will not be reclassified to statement of profit and loss		153	(66)
<b>Total other comprehensive income/(loss)</b>		<b>(436)</b>	<b>188</b>
<b>VII Total comprehensive income for the year</b>		<b>5,427</b>	<b>14,619</b>
<b>Earnings per equity share of ₹ 10,000 each</b>	2.19		
Basic (in ₹)		4,580	11,274
Diluted (in ₹)		4,580	11,274

## Summary of significant accounting policies

1

The accompanying notes are an integral part of the financial statements

As per our report of even date attached

For B S R &amp; Co. LLP

Firm's Registration No.: 101248W/W-100022

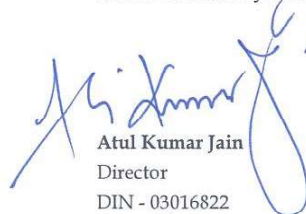
Chartered Accountants



Rakesh Dewan

Partner

Membership Number: 092212

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


Atul Kumar Jain

Director

DIN - 03016822



Goutam Kungta

Director

DIN - 08599656

Place: Gurugram, India

Date: 04 July 2023

Place: Noida (UP), India

Date: 04 July 2023

HCL Comnet Systems and Services Limited

Statement of Changes in Equity

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

	Equity share capital		Other equity			Total Equity
	Number of Shares	Share capital	Reserves and Surplus		Total other equity	
			Retained earnings	Capital redemption reserve		
Balance as at 1 April 2021	1,280	12,800	(77,174)	80,000	2,826	15,626
Profit for the year	-	-	14,431	-	14,431	14,431
Other comprehensive income	-	-	188	-	188	188
Total comprehensive income for the year	-	-	14,619	-	14,619	14,619
Balance as at 31 March 2022	1,280	12,800	(62,555)	80,000	17,445	30,245
Profit for the year	-	-	5,863	-	5,863	5,863
Other comprehensive loss	-	-	(436)	-	(436)	(436)
Total comprehensive income for the year	-	-	5,427	-	5,427	5,427
Balance as at 31 March 2023	1,280	12,800	(57,128)	80,000	22,872	35,672

Nature & purpose of reserves

**Capital redemption reserve:-** The company recognizes cancellation of the company's own equity instruments to capital redemption reserve.

Refer note 1 for summary of significant accounting policies

The accompanying notes are an integral part of financial statements

As per our report of even date attached

For B S R & Co. LLP

Firm's Registration No.: 101248W/W-100022

Chartered Accountants



Rakesh Dewan

Partner

Membership Number: 092212

Place: Gurugram, India

Date: 04 July 2023

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



Atul Kumar Jain

Director

DIN - 03016822



Goutam Kungta

Director

DIN - 08599656

Place: Noida (UP), India

Date: 04 July 2023



**HCL Comnet Systems and Services Limited**

**Statement of Cash flows**

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

	Year ended 31 March 2023	Year ended 31 March 2022
<b>A. Cash flows from operating activities</b>		
Profit/(Loss) before tax	6,016	14,365
<b>Adjustment for:</b>		
Depreciation and amortization expense	-	17,208
Profit on sale of property, plant and equipment (net)	(113)	(112)
Income on current investments carried at fair value through profit and loss	(6,271)	(1,516)
Interest on income tax refund	(637)	(9,828)
Interest expenses	-	12
Provisions no longer required written back (net)	(18,260)	(10)
Provision for doubtful debts/ bad debts written off	27,029	8,419
Other non cash income	(8,823)	-
	<b>(1,059)</b>	<b>28,538</b>
<b>Net change in</b>		
Trade receivables	29,906	(22,579)
Other financial assets and other assets	33,712	(8,850)
Trade payables	(5,360)	3,043
Provisions, other financial liabilities and other liabilities	2,381	(13,505)
<b>Cash from/(used in) operations</b>	<b>59,580</b>	<b>(13,353)</b>
Income taxes paid (net of refunds)	2,856	30,562
<b>Net cash flow from operating activities (A)</b>	<b>62,436</b>	<b>17,209</b>
<b>B. Cash flows from investing activities</b>		
Purchase of investments in securities	(96,895)	(174,990)
Proceeds from sale of investments in securities	33,976	157,821
Proceeds from sale of property, plant and equipment	113	112
<b>Net cash used in investing activities (B)</b>	<b>(62,806)</b>	<b>(17,057)</b>
<b>C. Cash flows from financing activities</b>		
Repayment of long term borrowings	-	(176)
Interest paid	-	(12)
<b>Net cash flow used in financing activities (C)</b>	<b>-</b>	<b>(188)</b>
Net increase (decrease) in cash and cash equivalents and other bank balances (A+B+C)	(370)	(36)
Cash and cash equivalents and other bank balances at the beginning of the year	2,607	2,643
<b>Cash and cash equivalents and other bank balances at the end of the year as per Note 2.5</b>	<b>2,237</b>	<b>2,607</b>

**Summary of significant accounting policies ( Note 1)**

The accompanying notes are an integral part of financial statements

As per our report of even date attached

For B S R & Co. LLP

Firm's Registration No.: 101248W/W-100022

Chartered Accountants



**Rakesh Dewan**

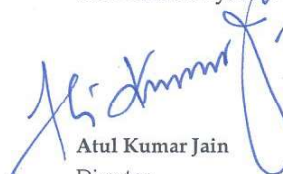
Partner

Membership Number: 092212

Place: Gurugram, India

Date: 04 July 2023

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



**Atul Kumar Jain**

Director

DIN - 03016822



**Goutam Rungta**

Director

DIN - 08599656

Place: Noida (UP), India

Date: 04 July 2023

## **HCL Comnet Systems and Services Limited**

Notes to financial statements for the year ended 31 March 2023

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

### **ORGANIZATION AND NATURE OF OPERATIONS**

HCL Comnet Systems & Services Limited ("hereinafter referred to as the "Company") is primarily engaged in providing bandwidth services. The Company was incorporated under the provisions of the Companies Act applicable in India in December 1993, having its registered office at 806, Sidharth, 96, Nehru Place, New Delhi-110019.

The financial statements for the period ended 31 March 2023 were approved and authorized for issue by the Board of Directors on 04 July 2023.

#### **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) prescribed under section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules as amended from time to time and presentation requirements of Schedule III (Division II) to the Companies Act, 2013, as applicable to the financial statements.

During the year, the Company has suspended its business operations. Accordingly, the management of the Company believes that there is a significant doubt on the entity's ability to continue as going concern. Accordingly, the financial statements of the Company have been prepared on the basis that the fundamental accounting assumption of going concern is no longer appropriate. Accordingly, the financial statements of the Company have been prepared on a liquidation basis i.e. assets are measured at lower of carrying amount and estimated net realizable values and liabilities are stated at their estimated settlement amounts in the financial statements.

Preparation of financial statements on a basis other than going concern involves the company making estimates and assumptions that affect the reported amounts of assets and liabilities. Estimation is based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances and are continually re-valuated. Where appropriate, adjustment had been made to reduce the carrying value of asset to their estimated realizable value, to provide for any further liabilities which would arise, and classify long term liabilities and assets as current liabilities and assets.

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

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

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

##### **b) Use of estimates**

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

##### **c) Foreign currency and translation**

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

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date of the transaction. Foreign-currency denominated monetary assets and liabilities are translated to the relevant functional



## HCL Comnet Systems and Services Limited

Notes to financial statements for the year ended 31 March 2023

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

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/(loss) for the year in which the transaction is settled. Revenue, expenses and cash-flow items denominated in foreign currencies are translated into the relevant functional currencies using the exchange rate in effect on the date of the transaction.

### 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.

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

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

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

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

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

- a) Market approach – Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- b) Income approach – Converting the future amounts based on market expectations to its present value using the discounting method.
- c) Cost approach – Replacement cost method.

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) 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.

## HCL Comnet Systems and Services Limited

Notes to financial statements for the year ended 31 March 2023

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

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:

<u>Asset description</u>	<u>Asset life (in years)</u>
Plant and equipment (including air conditioners, electrical installations)	3-10
Office equipment	3-5
Computers	3-5
Furniture and fixtures	7
Vehicles	5

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

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

### f) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. 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. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit and loss.

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

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

<u>Asset description</u>	<u>Asset life (in years)</u>
Software	3

### g) 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 recognized under the head "Depreciation and amortization expense" 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.

b

## **HCL Comnet Systems and Services Limited**

Notes to financial statements for the year ended 31 March 2023

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

### **h) 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 attributable to the acquisition of the financial assets (other than financial assets at fair value through profit and 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. However, trade receivables that do not contain a significant financing component are measured at transaction price.

##### ***Cash and cash equivalents and other bank balances***

Cash and cash equivalents in the balance sheet comprise cash in bank 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, trade and other receivables.

##### ***Financial instrument at Fair Value through Other Comprehensive Income (OCI)***

A financial instrument is classified and measured at fair value through OCI if both of the following criteria are met:

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

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

##### ***Financial instrument at Fair Value through Profit and Loss***

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

##### ***Derecognition of financial assets***

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

##### ***Impairment of financial assets***

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

## HCL Comnet Systems and Services Limited

Notes to financial statements for the year ended 31 March 2023

(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 borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade payables and other payables.

#### *Financial liabilities at amortized cost*

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.

### i) Revenue recognition

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

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

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

### j) Retirement and other employee benefits

i. **Provident fund:** Employees of the Company receive benefits under the provident fund, a defined benefit plan. The employee and employer each make monthly contributions to the plan. A portion of the contribution is made to the provident fund trust managed by the Company and fellow subsidiary of the company or Government administered provident fund; while the balance contribution is made to the Government administered pension fund. For the contribution made by the Company to the provident fund trust managed by the Company, the Company has an obligation to fund any shortfall on the yield of the Trust's investments over the administered interest rates. The liability is actuarially determined (using the projected unit credit method) at the end of the year. The funds contributed to the Trust are invested in specific securities as mandated by law and generally consist of federal and state government bonds, debt instruments of government-owned corporations and other eligible market securities.



## HCL Comnet Systems and Services Limited

Notes to financial statements for the year ended 31 March 2023

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

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

iv. **State Plans:** The contribution to State Plans, a defined contribution plan namely Employee State Insurance Fund is charged to the statement of profit and loss as and when employees render related services.

### k) Income taxes

Income tax expense comprises current and deferred income tax.

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

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

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred 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.

The effect of changes in tax rates on deferred income tax assets and liabilities is recognized as income or expense in the period that includes the enactment or the substantive enactment date. A deferred 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.

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.

### l) Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to equity holders by the weighted average number of equity shares outstanding during the year.

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

The number of shares and potentially dilutive equity shares are adjusted retrospectively for all periods presented for bonus shares.

### m) Provisions and contingent liabilities

## **HCL Comnet Systems and Services Limited**

Notes to financial statements for the year ended 31 March 2023

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

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.

### **n) Nature and purpose of reserves**

#### **Remeasurement of defined benefit plans**

The Company recognizes actuarial gains/losses on defined benefit plans in the balance sheet with a corresponding debit or credit to other comprehensive income in the period in which they occur.

### **o) Adoption of new accounting principles**

#### **Onerous Contracts – Cost of Fulfilling a Contract (Amendment to Ind AS 37- Provisions, Contingent Liabilities and Contingent Assets)**

The amendment clarified that the 'costs of fulfilling a contract' comprise both the incremental costs and allocation of other direct costs. The company has adopted this amendment effective 1 April 2022 and the adoption did not have any material impact on its financial statements.

### **p) Recently issued accounting pronouncements**

On 31 March 2023, the Ministry of Corporate Affairs (MCA), notified Companies (Indian Accounting Standards) Amendment Rules, 2023 effective from 1 April 2023. Following is key amended provision which may have an impact on the financial statements of the company:

#### **Disclosure of accounting policies (amendments to Ind AS 1 - Presentation of Financial Statements)**

The amendments intend to assist in deciding which accounting policies to disclose in the financial statements. The amendments to Ind AS 1 require entities to disclose their material accounting policies rather than their significant accounting policies. The amendments provide guidance on how to apply the concept of materiality to accounting policy disclosures. The company does not expect this amendment to have any significant impact in its financial statements.

#### **Definition of accounting estimate (amendments to Ind AS 8 - Accounting Policies, Changes in Accounting Estimates and Errors)**

The amendments distinguish between accounting policies and accounting estimates. The definition of a change in accounting estimates has been replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The company does not expect this amendment to have any significant impact in its financial statements.

#### **Deferred tax related to assets and liabilities arising from a single transaction (amendments to Ind AS 12 - Income Taxes)**

The amendments specify how to account for deferred tax on transactions such as leases. The amendments clarify that lease transactions give rise to equal and offsetting temporary differences and financial statements should reflect the future tax impacts of these transactions through recognizing deferred tax. The company is evaluating the impact, if any, in its financial statements.



HCL Connnet Systems and Services Limited

Notes to financial statements for the year ended 31 March 2023

(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 2023

	Plant and equipment	Office equipment	Computers	Furniture and fixtures	Vehicles	Total
Gross block as at 1 April 2022	18,263	251,771	25,746	223	566	296,569
Additions	-	-	-	-	-	-
Disposals	16,569	250,795	14,857	30	566	282,817
Gross block as at 31 March 2023	1,694	976	10,889	193	-	13,752
Accumulated depreciation as at 1 April 2022	18,263	251,771	25,746	223	566	296,569
Depreciation	-	-	-	-	-	-
Disposals/ other adjustments	16,569	250,795	14,857	30	566	282,817
Accumulated depreciation as at 31 March 2023	1,694	976	10,889	193	-	13,752
Net block as at 31 March 2023	-	-	-	-	-	-

The changes in the carrying value for the year ended 31 March 2022

	Plant and equipment	Office equipment	Computers	Furniture and fixtures	Vehicles	Total
Gross block as at 1 April 2021	53,039	251,771	26,833	223	1,126	332,993
Additions	-	-	-	-	-	-
Disposals	34,776	-	1,087	-	560	36,423
Gross block as at 31 March 2022	18,263	251,771	25,746	223	566	296,569
Accumulated depreciation as at 1 April 2021	42,766	249,272	22,584	223	939	315,784
Depreciation	12,429	345	4,247	-	187	17,208
Disposals/ other adjustments	36,932	(2,154)	1,085	-	560	36,423
Accumulated depreciation as at 31 March 2022	18,263	251,771	25,746	223	566	296,569
Net block as at 31 March 2022	-	-	-	-	-	-
Net block as at 1 April 2021	10,273	2,499	4,249	-	187	17,209

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HCL Comnet Systems and Services Limited

Notes to financial statements for the year ended 31 March 2023

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

2.2 Other intangible assets

The changes in the carrying value for the year ended 31 March 2023

	Software
Gross block as at 1 April 2022	1,302
Additions	-
Disposals	1,302
Gross block as at 31 March 2023	-
Accumulated depreciation as at 1 April 2022	1,302
Amortization	-
Disposals	1,302
Accumulated depreciation as at 31 March 2023	-
Net block as at 31 March 2023	-

The changes in the carrying value for the year ended 31 March 2022

	Software
Gross block as at 1 April 2021	1,396
Additions	-
Disposals	94
Gross block as at 31 March 2022	1,302
Accumulated depreciation as at 1 April 2021	1,396
Amortization	-
Disposals	94
Accumulated depreciation as at 31 March 2022	1,302
Net block as at 31 March 2022	-
Net block as at 1 April 2021	-

2.3 Investments

	As at	
	31 March 2023	31 March 2022
<b>Financial assets</b>		
<b>Current</b>		
Unquoted investments		
Carried at fair value through profit and loss		
Investment in mutual funds	138,365	69,175
	138,365	69,175

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**HCL Comnet Systems and Services Limited**
**Notes to financial statements for the year ended 31 March 2023**

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

**2.4 Trade receivables**

	As at	
	31 March 2023	31 March 2022
Billed		
Unsecured, considered good	5,038	54,965
Trade receivable which have significant increase in credit risk	91,495	52,686
Trade receivable-credit impaired	-	2,847
	96,533	110,498
Impairment allowance for bad and doubtful debts	(93,588)	(75,220)
	2,945	35,278
Unbilled receivables-related parties(refer note 2.23)	-	15,779
	2,945	51,057

Note:-

1. Includes receivables from related parties amounting to ₹ 21 thousand (31 March 2022 ₹ 18,628 thousand).

Trade receivables - current	Not Due	Outstanding as at 31 March 2023 from the due date of payment					
		Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	Total
Undisputed - considered good	-	10	1,438	14,589	3,641	28,788	48,466
Undisputed - credit impaired	-	-	-	-	3,180	44,887	48,067
	-	10	1,438	14,589	6,821	73,675	96,533
Impairment allowance for bad and doubtful debts							(93,588)
							2,945
Unbilled receivables-related parties(refer note 2.23)							-
							2,945

Trade receivables - current	Not Due	Outstanding as at 31 March 2022 from the due date of payment					
		Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	Total
Undisputed - considered good	-	50,702	595	3,651	(1)	58	55,005
Undisputed - credit impaired	-	-	-	3,281	8,475	40,890	52,646
Disputed - credit impaired	-	-	-	-	-	2,847	2,847
	-	50,702	595	6,932	8,474	43,795	110,498
Impairment allowance for bad and doubtful debts							(75,220)
							35,278
Unbilled receivables-related parties(refer note 2.23)							15,779
							51,057

**2.5 Cash and cash equivalents and other bank balances**

	As at	
	31 March 2023	31 March 2022
Cash and cash equivalents		
Balance with banks	2,237	2,607
	2,237	2,607

**2.6 Other financial assets**

	As at	
	31 March 2023	31 March 2022
Carried at amortized cost		
Other receivables-related parties(refer note 2.23)	469	-
	469	-

**2.7 Other current assets**

	As at	
	31 March 2023	31 March 2022
Unsecured, considered good		
Advances other than capital advances		
Advances to suppliers	4,147	4,180
Others		
Prepaid expenses	-	253
Goods and service tax receivable	1,337	-
Other receivables-related parties(refer note 2.23)	-	17,207
Other receivables	236	-
Other advances	19	19
	5,739	21,659
Unsecured, considered doubtful		
Others		
Goods and service tax receivable	-	4,812
Less: Provision for other current assets	-	(4,812)
	-	-
	5,739	21,659

**HCL Comnet Systems and Services Limited**

**Notes to financial statements for the year ended 31 March 2023**

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

**2.8 Share capital**

	As at	
	31 March 2023	31 March 2022
<b>Authorized</b>		
20,000 (31 March 2022, 20,000) equity shares of ₹ 10,000 each	200,000	200,000
5,500,000 (31 March 2022, 5,500,000) redeemable preference shares of ₹ 100 each	550,000	550,000
<b>Issued, subscribed and fully paid up</b>		
1,280 (31 March 2022, 1,280) equity shares ₹ 10,000 each	12,800	12,800

**Terms/ rights attached to equity shares**

The Company has only one class of shares referred to as equity shares having a par value of ₹10,000/-. 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 year**

	As at			
	31 March 2023		31 March 2022	
	No. of shares	₹ in Thousands	No. of shares	₹ in Thousands
Number of shares at the beginning	1,280	12,800	1,280	12,800
Add: Shares issued during the year	-	-	-	-
Number of shares at the end	1,280	12,800	1,280	12,800

**Equity shares held by holding/ultimate holding company and/or their subsidiaries/associates**

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

	As at			
	31 March 2023		31 March 2022	
	No. of shares	% holding in the class	No. of shares	% holding in the class
<b>HCL Technologies Limited</b>				
Equity shares of ₹ 10,000 each fully paid	1,280	100%	1,280	100%

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

Name of the shareholder	As at			
	31 March 2023		31 March 2022	
	No. of shares	% holding in the class	No. of shares	% holding in the class
<b>Equity shares of ₹ 10,000 each fully paid</b>				
HCL Technologies Limited, the holding company	1,280	100%	1,280	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 were no bonus shares issued, no shares issued for consideration other than cash and no shares bought back during the year (31 March 2022 Nil).

**HCL Comnet Systems and Services Limited**
**Notes to financial statements for the year ended 31 March 2023**

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

**Capital management**

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

**2.9 Provisions**

	As at	
	31 March 2023	31 March 2022
Provision for employee benefits		
Provision for gratuity (refer note 2.22)	-	870
Provision for leave benefits	-	355
Provision	247,980	247,980
	247,980	249,205

**2.10 Trade payables**

	As at	
	31 March 2023	31 March 2022
Trade payables (refer note 2.27)	-	3,790
Trade payables-related parties (refer note 2.23)	687	2,257
	687	6,047
Unbilled and accruals	14,355	7,020
Unbilled and accruals-related parties (refer note 2.23)	-	924
	14,355	7,944

Particulars	Not Due	Outstanding as at 31 March 2023 from the due date of payment				
		Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
(i) MSME	-	-	-	-	-	-
(ii) Others	-	283	282	-	122	687
	-	283	282	-	122	687
Unbilled and accruals						14,355
						15,042

Particulars	Not Due	Outstanding as at 31 March 2022 from the due date of payment				
		Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
(i) MSME	-	-	3	-	-	3
(ii) Others	2,632	2,429	810	3	170	6,044
	2,632	2,429	813	3	170	6,047
Unbilled and accruals						7,944
						13,991

**HCL Comnet Systems and Services Limited**

**Notes to financial statements for the year ended 31 March 2023**

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

**2.11 Other financial liabilities**

	As at	
	31 March 2023	31 March 2022
<b>Current</b>		
Carried at amortized cost		
Accrued salaries and benefits		
Employee bonuses accrued	-	1,021
Other employee costs	-	1,603
Others		
Other payable	-	494
	-	3,118

**2.12 Other current liabilities**

	As at	
	31 March 2023	31 March 2022
<b>Other Advances</b>		
Advances received from customers	3,034	956
<b>Others</b>		
Goods and services tax payable	-	353
Withholding tax payable	10	832
	3,044	2,141

**2.13 Revenue from operations**

	Year ended	
	31 March 2023	31 March 2022
<b>Sale of services</b>		
Bandwidth and other services	4,739	148,076
	4,739	148,076

**Disaggregate Revenue Information**

The disaggregated revenue from customers by geographic area based on location of the customer is as follows:

	Year ended 31 March 2023	Year ended 31 March 2022
<b>Geography wise</b>		
India	4,739	148,076
	4,739	148,076

**Remaining performance obligations**

Remaining performance obligations are subject to variability due to several factors such as terminations, changes in scope of contracts, periodic revalidations of the estimates, economic factors (changes in currency rates, tax laws etc).

As at 31 March 2023, the aggregate amount of transaction price allocated to remaining performance obligations as per the requirements of Ind AS 115 was ₹ Nil (31 March 2022, ₹ 64,052 thousand) out of which, approximately Nil (31 March 2022, 100%) is expected to be recognized as revenues within one year. These amounts are not adjusted for variable consideration allocated to remaining performance obligation, which are not probable. These amounts also exclude contracts for which we recognize revenues based on the right to invoice for services performed and contracts where consideration in the form of a sales-based or usage-based royalty promised in exchange for a license of intellectual property.

**HCL Comnet Systems and Services Limited****Notes to financial statements for the year ended 31 March 2023**

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

**2.13 Revenue from operations(continued)****Contract balances**

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

The company does not have any contract assets as on 31 March 2023 (31 March 2022, Nil).

Contract liabilities : A contract liability arises when there is excess billing over the revenue recognized. The company does not have any contract liability as on 31 March 2023 (31 March 2022, Nil).

Deferred contract cost : Deferred contract cost represents the contract fulfilment cost and cost for obtaining the contract. The company does not have any deferred contract cost as on 31 March 2023 (31 March 2022, Nil).

Reconciliation of revenue recognised with the contracted price is as follows:

	Year ended	
	31 March 2023	31 March 2022
Contracted price	6,141	151,384
(Reduction)/Reversal towards variable consideration components	(1,402)	(3,308)
Balance as at 31 March 2023	4,739	148,076

Note: A single customer represents 10% or more of the Company's total revenue for the year ended 31 March 2023 and 2022.

**2.14 Other income**

	Year ended	
	31 March 2023	31 March 2022
Income on investments carried at fair value through profit and loss		
Unrealized gains on fair value changes on mutual funds	5,709	391
Profit on sale of mutual funds	562	1,126
Profit on sale of property, plant and equipment	113	112
Exchange differences (net)	192	-
Provisions no longer required written back (net)	18,260	10
Interest on income tax refund	637	9,828
Miscellaneous income	16,042	900
	41,515	12,367



**HCL Comnet Systems and Services Limited**

**Notes to financial statements for the year ended 31 March 2023**

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

**2.15 Employee benefits expense**

	Year ended	
	31 March 2023	31 March 2022
Salaries, wages and bonus	603	14,151
Contribution to provident fund and other employee funds	26	484
Staff welfare expenses	1	87
	630	14,722

**2.16 Finance cost**

	Year ended	
	31 March 2023	31 March 2022
Interest on loan from bank	-	12
Bank charges	267	64
	267	76

**2.17 Other expenses**

	Year ended	
	31 March 2023	31 March 2022
Rent	109	1,391
Power and fuel	271	11,394
Communication costs	4	188
Travel and conveyance	-	602
Legal and professional charges	2,591	2,256
Rates and taxes	2,125	11,593
Provision for doubtful debts/ bad debts written off	27,029	8,419
Miscellaneous expenses	64	577
	32,193	36,420

**2.18 Income taxes**

	Year ended	
	31 March 2023	31 March 2022
Income tax charged to statement of profit and loss		
Deferred tax charge (credit)	153	(66)
	153	(66)
Income tax charged to other comprehensive income		
Expense(Income) on re-measurements of defined benefit plans	(153)	66
	(153)	66

**HCL Comnet Systems and Services Limited**

**Notes to financial statements for the year ended 31 March 2023**

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

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 2023	31 March 2022
Profit/(Loss) before income tax	6,016	14,365
Statutory tax rate in India	26.00%	26.00%
Expected tax expense	1,564	3,735
Other permanent differences	412	724
Unrecognised tax benefit	258	4,259
Deferred tax not created on utilisation of tax losses	(2,081)	(8,784)
<b>Total taxes (income)</b>	<b>153</b>	<b>(66)</b>
<b>Effective income tax rate</b>	<b>2.54%</b>	<b>-0.46%</b>

**Components of deferred tax assets and liabilities as on 31 March 2023**

	Opening balance	Recognized in profit and loss	Recognised in / reclassified from OCI	Closing balance
<b>Deferred tax assets</b>				
Business losses	275	1,331	-	1,606
<b>Gross deferred tax assets (A)</b>	<b>275</b>	<b>1,331</b>	<b>-</b>	<b>1,606</b>
<b>Deferred tax liabilities</b>				
Others	275	1,484	(153)	1,606
<b>Gross deferred tax liabilities (B)</b>	<b>275</b>	<b>1,484</b>	<b>(153)</b>	<b>1,606</b>
<b>Net deferred tax assets (A-B)</b>	<b>-</b>	<b>(153)</b>	<b>153</b>	<b>-</b>

**Components of deferred tax assets and liabilities as on 31 March 2022**

	Opening balance	Recognized in profit and loss	Recognised in / reclassified from OCI	Closing balance
<b>Deferred tax assets</b>				
Business losses	107	168	-	275
<b>Gross deferred tax assets (A)</b>	<b>107</b>	<b>168</b>	<b>-</b>	<b>275</b>
<b>Deferred tax liabilities</b>				
Others	107	102	66	275
<b>Gross deferred tax liabilities (B)</b>	<b>107</b>	<b>102</b>	<b>66</b>	<b>275</b>
<b>Net deferred tax assets (A-B)</b>	<b>-</b>	<b>66</b>	<b>(66)</b>	<b>-</b>

Deferred tax assets (net) primarily related to carried forward losses and other temporary differences amounting to ₹ 102,396 thousand (31 March 2022, ₹ 104,219 thousand) was not recognized as per applicable accounting standards. These tax losses amounting to ₹ 12,674 thousand and ₹ 13,692 thousand can be carried forward till March 2028 and March 2029 respectively.

**HCL Comnet Systems and Services Limited**

**Notes to financial statements for the year ended 31 March 2023**

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

**2.19 Earnings per share**

	Year ended	
	31 March 2023	31 March 2022
Profit for the year attributable to shareholders of the Company	5,863	14,431
Weighted average number of shares outstanding in calculating basic EPS	1,280	1,280
Weighted average number of shares outstanding in calculating diluted EPS	1,280	1,280
Nominal value of equity shares (in ₹)	10,000	10,000
Earnings per equity share (in ₹)		
- Basic	4,580	11,274
- Diluted	4,580	11,274

**2.20 Financial instruments**

**(a) Financial assets and liabilities**

The carrying value of financial instruments by categories as at 31 March 2023 is as follows:

	Fair value through profit and loss	Amortized cost	Total carrying value
<b>Financial assets</b>			
Investments	138,365	-	138,365
Trade receivables (including unbilled)	-	2,945	2,945
Cash and cash equivalents and other bank balances	-	2,237	2,237
Others (refer note 2.6)	-	469	-
<b>Total</b>	<b>138,365</b>	<b>5,651</b>	<b>143,547</b>
<b>Financial liabilities</b>			
Trade payables (including unbilled and accruals)	-	15,042	15,042
<b>Total</b>	<b>-</b>	<b>15,042</b>	<b>15,042</b>

The carrying value of financial instruments by categories as at 31 March 2022 is as follows:

	Fair value through profit and loss	Amortized cost	Total carrying value
<b>Financial assets</b>			
Investments	69,175	-	69,175
Trade receivables (including unbilled)	-	51,057	51,057
Cash and cash equivalents and other bank balances	-	2,607	2,607
<b>Total</b>	<b>69,175</b>	<b>53,664</b>	<b>122,839</b>
<b>Financial liabilities</b>			
Borrowings	-	-	-
Trade payables (including unbilled and accruals)	-	13,992	13,992
Others (refer note 2.11)	-	3,118	3,118
<b>Total</b>	<b>-</b>	<b>17,110</b>	<b>17,110</b>



**HCL Comnet Systems and Services Limited****Notes to financial statements for the year ended 31 March 2023**

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

**Fair value hierarchy**

The assets and liabilities measured at fair value on a recurring basis as at 31 March 2023 and the basis for that measurement is as below:

	Fair value	Level 1 inputs	Level 2 inputs	Level 3 inputs
<b>Assets</b>				
Investments carried at fair value through profit and loss	138,365	138,365	-	-

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

The following table discloses the assets and liabilities measured at fair value on a recurring basis as at 31 March 2022 and the basis for that measurement:

	Fair value	Level 1 inputs	Level 2 inputs	Level 3 inputs
<b>Assets</b>				
Investments carried at fair value through profit and loss	69,175	69,175	-	-

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

**Valuation methodologies**

Quoted market prices in active markets are available for investments in securities and, as such, these investments are classified within Level 1.

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

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



**HCL Comnet Systems and Services Limited****Notes to financial statements for the year ended 31 March 2023**

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

**(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 has a risk management policy to manage & mitigate these risks.

**Credit risk**

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash and bank balances, trade receivables and mutual funds. The cash resources of the Company are invested with mutual funds 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, ageing of trade receivables and unbilled receivables. A single customer accounted for more than 10% of trade receivables and unbilled receivables.

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

	As at	
	31 March 2023	31 March 2022
Balance at the beginning of the year	75,220	66,801
Additional provision during the year	29,777	12,844
Deductions on account of write offs and collections	(11,409)	(4,425)
<b>Balance at the end of the year</b>	<b>93,588</b>	<b>75,220</b>

**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.



**HCL Comnet Systems and Services Limited**  
**Notes to financial statements for the year ended 31 March 2023**  
(All amounts in thousands of ₹, except share data and as stated otherwise)

**2.21 Segment reporting**

Operating segments are defined as components of an enterprise for which discrete financial information is available and their results are reviewed regularly by the chief operating decision maker (CODM), for allocation of resources and assessing performance. The Company is providing bandwidth services under a license from the Department of Telecommunications ("DOT"), Government of India. As per the management of the Company, it evaluates the performance of the Company as one business segment operating in a single geography. Hence there is only one reportable segment of the Company, as envisaged under Indian Accounting Standards -108 "Operating segments notified under section 133 of the Companies Act, 2013. Accordingly, no disclosure for segment reporting has been included in the financial statements.

**2.22 Employee benefits**

**A. Defined contribution plans and state plans**

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

**1. 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 2023	31 March 2022
Employer's contribution to Employee's Pension Scheme	11	135
<b>Total</b>	<b>11</b>	<b>135</b>

**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 2023	31 March 2022
Current service cost	(526)	81
Interest cost	-	79
<b>Net benefit expense</b>	<b>(526)</b>	<b>160</b>

**Balance sheet**

	Year ended	
	31 March 2023	31 March 2022
Defined benefit obligation	-	870
Fair value of plan assets	-	-
Less: Unrecognized past service cost	-	-
<b>Net plan liability</b>	<b>-</b>	<b>870</b>
Current defined benefit obligation	-	870
Non-current defined benefit obligation	-	-

HCL Comnet Systems and Services Limited  
Notes to financial statements for the year ended 31 March 2023  
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Changes in present value of defined benefit obligation

	Year ended	
	31 March 2023	31 March 2022
Opening defined benefit obligations	870	1,257
Current service cost	(526)	81
Interest cost	-	79
Re-measurement gains/ (losses) in OCI		
Actuarial changes arising from changes in demographic assumptions	-	-
Actuarial changes arising from changes in financial assumptions	589	(12)
Experience adjustments	-	(243)
Benefits paid(including intra group transfer)	(933)	(292)
Closing defined benefit obligations	-	870

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

	Year ended	
	31 March 2023	31 March 2022
Discount rate	NA	6.90%
Estimated rate of salary increase	NA	8.00%
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.

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 2023 arising due to increase / decrease in key actuarial assumptions by 50 basis points:

	Discount rate		Salary escalation rate	
	As at		As at	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
Impact of increase	-	(37)	-	39
Impact of decrease	-	40	-	(37)

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 the market conditions. There have been no changes in the methods and assumptions used in preparing the sensitivity analysis.

**HCL Comnet Systems and Services Limited**  
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**Employer's contribution to provident fund**

The Company contributes Provident Fund of its employees in an exempted Trust namely to HCL Comnet Systems and Services Limited Employee Trust. The disclosure of plan assets cannot be provided as the plan assets are not attributable to its participants since included assets includes also pertains to employees of erstwhile HCL Comnet Limited which now stands merged in HCL Technologies Limited pursuant to filling of the certified true copy of the Orders of Hon'ble National Company Law Tribunal, Delhi with the Registrar of Companies on 13 March 2020 . The merger was effective from 01 April 2019. The actuary has provided a valuation and based on the assumption mentioned below there is no shortfall as at 31 March 2023 and 31 March 2022.

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

	As at	
	31 March 2023	31 March 2022
Government of India bond yield	NA	6.80%
Remaining term of maturity	NA	6.54 years
Expected guaranteed interest rate	NA	8.10%

During the year ended 31 March 2023, the Company has contributed ₹ 15 thousand (31 March 2022, ₹ 338 thousand) towards employer's contribution to provident fund.

**2.23 Related party transactions**

**a) Holding Company**

- HCL Technologies Limited

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

**Significant influence**

- HCL Avitas Private Limited
- HCL Infosystems Limited



**HCL Comnet Systems and Services Limited**  
**Notes to financial statements for the year ended 31 March 2023**  
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Transactions with related parties during the normal course of business	Holding Company		Significant influence	
	Year ended 31 March 2023	Year ended 31 March 2022	Year ended 31 March 2023	Year ended 31 March 2022
Payment for use of facilities	362	12,785	18	-
Interest on short term borrowings	-	-	-	-
Repayment of short term borrowing	-	-	-	-
Proceeds from short term borrowing	-	-	-	-
Revenue from Operation	-	15,779	-	-
Other expenses	-	-	1	87

Outstanding balances	Holding Company		Significant influence	
	As at		As at	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
Trade receivables and other current assets	490	35,836	-	-
Trade payables and financial liabilities	687	3,179	-	2

Material related party transactions	Year ended		Year ended	
	31 March 2023		31 March 2022	
Revenue from Operation				
HCL Technologies Limited	-		15,779	

Material related party balances	As at		As at	
	31 March 2023		31 March 2022	
Other Receivables				
HCL Technologies Limited			16,914	
Unbilled receivables				
HCL Technologies Limited			15,779	

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HCL Comnet Systems and Services Limited  
Notes to financial statements for the year ended 31 March 2023  
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**2.24 Commitments and contingent liabilities**

	As at	
	31 March 2023	31 March 2022
<b>i) Capital and other commitments</b>		
Capital commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	-	-
<b>ii) Contingent liabilities</b>	-	-
	-	-

(a) The Indian Parliament has approved the Code on Social Security, 2020 which would impact the contributions by the company towards Provident Fund and Gratuity. The effective date from which the changes are applicable is yet to be notified and the final rules are yet to be published. The company will carry out an evaluation of the impact and record the same in the financial statements in the period in which the Code becomes effective and the related rules are published.

(b) The Company is involved in various lawsuits, claims and proceedings that arise in the ordinary course of business, the outcome of which is inherently uncertain. Certain of these matters include speculative and frivolous claims for substantial or indeterminate amount of damages. The Company records a liability when it is both probable that a loss has been incurred and the amount can be reasonably estimated. Significant judgement is required to determine both probability and the estimated amount. The Company reviews these provisions at least quarterly and adjust these provisions accordingly to reflect the impact of negotiations, settlements, rulings, advice of legal counsel and updated information. The Company believe that the amount or estimated range of reasonably possible loss, will not, either individually or in the aggregate, have a material adverse effect on its business, financial position, results of operations, or cash flows with respect to loss contingencies for legal and other contingencies as of 31 March 2023.

**2.25 Payment to auditors**

	Year ended	
	31 March 2023	31 March 2022
<b>As auditors</b>		
Statutory audit fee	240	280
Tax audit fee	110	70
	350	350



**HCL Comnet Systems and Services Limited**  
**Notes to financial statements for the year ended 31 March 2023**  
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**2.26 Ratio**

Ratio	Numerator	Denominator	Units	Year ended		% Variance
				31 March 2023	31 March 2022	
Current ratio	Current assets	Current liabilities	Times	1.13	1.11	2%
Debt service coverage ratio	Earning availables for debt service (refer note 1 below)	Debt service (refer note 2 below)	Times	NA	169	NA
Return on equity ratio	Net profit after taxes	Average Total equity	%	16%	64%	-74%
Inventory turnover ratio	Cost of good sold (refer note 3 below)	Average inventory	Times	NA	NA	NA
Trade receivables turnover ratio	Revenue from operations	Average trade receivables	Times	0.18	3.37	-95%
Trade payables turnover ratio	Net credit purchases (refer note below 4)	Average Trade Payables	Times	2.71	7.96	-66%
Net capital turnover ratio	Revenue from operations	Working capital (refer note below 5)	Times	0.1	4.9	-97%
Net profit ratio	Profit for the year	Revenue from operations	%	115%	10%	1080%
Return on capital employed	Earning before interest and taxes	Capital employed (refer note 6 below)	%	17%	48%	-65%
Return on investment - Unquoted	Income generated from invested funds	Time weighted average investments	%	4.95%	3.40%	46%

**Notes :**

- (1) Earning availables for debt services = Net profit after taxes + depreciation and amortisation + interest + loss on sale of fixed assets
- (2) Debt service = Interest + lease payment + principal repayments
- (3) Cost of goods sold includes purchase of stock in trade and change in inventories of stock in trade
- (4) Net credit purchase includes purchase of stock-in-trade , change in inventories of stock-in-trade, outsourcing costs and other expenses
- (5) Working capital = current assets - current liabilities
- (6) Capital employed = Tangible net worth + total debt + deferred tax liability
- (7) Tangible network = Network - goodwill - other intangible assets - deferred tax assets
- (8) Average is calculated based on simple average of opening and closing balances.

**Explanation where change in the ratio is more than 25%**

**Trade receivables turnover ratio**

Trade receivables turnover ratio has declined due to less revenue in FY 2022-23 as compared to FY 2021-22.

**Trade payables turnover ratio**

Trade receivables turnover ratio has declined due to decline in business operations in FY 2022-23 as compared to FY 2021-22.

**Return on equity ratio**

Return on equity ratio has declined due to low revenue from operations earned in FY 2022-23.

**Return on capital employed**

Return on capital employed has declined due to low revenue from operations earned in FY 2022-23.

**Net profit ratio**

Net profit Ratio has improved due to increase in other income in FY 2022-23.

**Net capital turnover ratio**

Net capital turnover ratio has declined due to low revenue in FY 2022-23.

**Return on investment - Unquoted**

Return on investment ratio has improved due to increase in market returns on the mutual fund.

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**HCL Comnet Systems and Services Limited**

Notes to financial statements for the year ended 31 March 2023

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

**2.27 Micro and small enterprises**

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

	For the year ended 31 March 2023		For the year ended 31 March 2022	
	Principal	Interest	Principal	Interest
Amount due to Vendor	-	-	-	-
Principal amount paid beyond the appointed date	-	-	-	-
Interest under normal credit terms				
Accrued and unpaid during the year	-	-	-	-
Total interest payable				
Accrued and unpaid during the year	-	3	-	3

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

**2.28 Change in classification**

	As earlier reported	Revised classification	Difference
Unbilled and accruals	255,924	7,944	247,980
Provisions	1,225	249,205	(247,980)

2.29 No funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries") with the understanding, whether recorded in writing or otherwise, that the Intermediary shall lend or invest in party identified by or on behalf of the Company (Ultimate Beneficiaries). The Company has not received any fund from any party(s) (Funding Party) with the understanding that the Company shall whether, directly or indirectly lend or invest in other persons or entities identified by or on behalf of the Company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

As per our report of even date

For BSR &amp; Co. LLP

Firm's Registration No.: 101248W/W-100022

Chartered Accountants

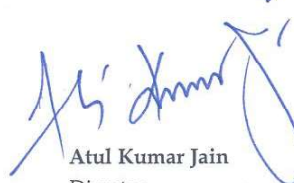
**Rakesh Dewan**

Partner

Membership Number: 092212

For and on behalf of the Board of Directors

of HCL Comnet Systems and Services Limited

**Atul Kumar Jain**

Director

DIN - 03016822

**Goutam Rungta**

Director

DIN - 08599656

Place: Gurugram, India

Date: 04 July 2023

Place: Noida (UP), India

Date: 04 July 2023