

HCL America Solutions Inc.

FINANCIAL STATEMENTS

For the Year ended 31 March 2023 and 31 March 2022

B S R & Co. LLP

Chartered Accountants

Building No. 10, 12th Floor, Tower-C,
DLF Cyber City, Phase-II,
Gurugram – 122 002, India

Telephone: +91 124 719 1000
Fax: +91 124 235 8613

Independent Auditor's Report

To the Board of Directors of HCL America Solutions Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of HCL America Solutions Inc. (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 the significant accounting policies and other explanatory information (collectively referred to as “the financial statements”).

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2023, and its profit and other comprehensive income, 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’) issued by the Institute of Chartered Accountants of India (ICAI). 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 ICAI together with the ethical requirements that are relevant to our audit of the financial statements, 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.

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

The Company's Management and Board of Directors are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, profit/loss (including other comprehensive income), changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Companies Act, 2013 (‘the Act’). This responsibility also includes maintenance of adequate accounting records 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 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.

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 but not for the purpose of expressing opinion on whether the company has in place adequate internal financial controls with reference to financial statements and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures in the financial statements made by the Management and Board of Directors.
- 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.
- 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.

Other Matter-Restriction on Use

As explained in note 1(a), these financial statements are prepared for the use by the Company and the Ultimate Holding Company, HCL Technologies Limited, to comply with the requirements of the Act. These financial statements are not the statutory financial statements of the Company. As a result, these financial statements may not be suitable for another purpose. Our report must not be copied, disclosed, quoted, or referred to, in correspondence or discussion, in whole or in part to anyone other than the purpose for which it has been issued without our prior written consent.

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

Chartered Accountants

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

Rakesh
Dewan

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Rakesh Dewan
Date: 2023.07.14
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Rakesh Dewan

Partner

Membership No. 092212

ICAI UDIN: 23092212BGXMBB5477

Place: Gurugram, India

Date: 14 July 2023

HCL America Solutions Inc.
Balance Sheet
(Amount in USD lakhs, except share data and as stated otherwise)

	Note No.	As at 31 March 2023	As at 31 March 2022
I. ASSETS			
(1) Non-current assets			
(a) Other Non-current assets	2.2	1	1
(b) Deferred tax assets (net)	2.16	9	7
Total non-current assets		<u>10</u>	<u>8</u>
(2) Current assets			
(a) Financial assets			
(i) Trade receivables	2.1		
Billed		587	532
Unbilled		31	31
(ii) Cash and cash equivalents	2.3	105	112
(iii) Other Financial Assets	2.4	1	-
(b) Other current assets	2.5	2	18
Total current assets		<u>726</u>	<u>693</u>
TOTAL ASSETS		<u><u>736</u></u>	<u><u>701</u></u>
II. EQUITY			
(a) Equity share capital	2.6	-	-
(b) Other equity		168	162
TOTAL EQUITY		<u>168</u>	<u>162</u>
III. LIABILITIES			
(1) Non - current liabilities			
(a) Provisions	2.10	9	10
Total non-current liabilities		<u>9</u>	<u>10</u>
(2) Current liabilities			
(a) Financial Liabilities			
(i) Trade payables	2.7		
Billed		189	247
Unbilled and accruals		246	146
(ii) Other financial liabilities	2.8	50	79
(b) Contract liabilities		14	10
(c) Other current liabilities	2.9	7	28
(d) Provisions	2.10	19	19
(e) Current Tax Liabilities (Net)		34	-
Total current liabilities		<u>559</u>	<u>529</u>
TOTAL EQUITY AND LIABILITIES		<u><u>736</u></u>	<u><u>701</u></u>
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 & Co. LLP
Firm's Registration No.: 101248W/W-100022
Chartered Accountants

Rakesh
Dewan

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Dewan
Date: 2023.07.14 21:51:50
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Rakesh Dewan
Partner
Membership Number: 092212

Gurugram, India
Date: 14 July 2023

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

VIJAYAKUMA
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by VIJAYAKUMAR
CHINNASWAMY
Date: 2023.07.14
17:38:33 +05'30'

C. Vijayakumar
Director

Noida (UP), India
Date: 14 July 2023

PRATEEK
AGGARWAL

Digitally signed
by PRATEEK
AGGARWAL
Date: 2023.07.14
17:43:07 +05'30'

Prateek Aggarwal
Director

Noida (UP), India
Date: 14 July 2023

HCL America Solutions Inc.
Statement of Profit and Loss
(Amount in USD lakhs, except share data and as stated otherwise)

	Note No.	Year ended 31 March 2023	Year ended 31 March 2022
I Revenue			
Revenue from operations	2.11	2,923	2,968
Other income	2.12	2	1
Total Income		<u>2,925</u>	<u>2,969</u>
II Expenses			
Employee benefits expense	2.13	1,593	1,676
Outsourcing costs	2.14	1,171	1,127
Other expenses	2.15	42	35
Total Expenses		<u>2,806</u>	<u>2,838</u>
III Profit before tax		119	131
IV Tax Expense	2.16		
Current tax		35	30
Deferred tax charge (credit)		(2)	6
Total tax expense		<u>33</u>	<u>36</u>
V Profit for the year		<u>86</u>	<u>95</u>
VI Other comprehensive income		-	-
Items that will not be reclassified to profit & loss		-	-
Items that will be reclassified subsequently to profit & loss		-	-
VII Total other comprehensive income		<u>-</u>	<u>-</u>
VIII Total comprehensive income for the year		<u>86</u>	<u>95</u>
Earnings per equity share of par value USD 1000 each	2.20		
Basic		860,000	950,000
Diluted		860,000	950,000
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 & Co. LLP**
Firm's Registration No.: 101248W/W-100022
Chartered Accountants

Rakesh
Dewan

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Dewan
Date: 2023.07.14 21:45:45
+05'30'

Rakesh Dewan
Partner
Membership Number: 092212

Gurugram, India
Date: 14 July 2023

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

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Digitally signed
by VIJAYAKUMAR
CHINNASWAMY
Date: 2023.07.14
17:38:48 +05'30'

C. Vijayakumar
Director

Noida (UP), India
Date: 14 July 2023

PRATEEK
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Digitally signed
by PRATEEK
AGGARWAL
Date: 2023.07.14
17:42:53 +05'30'

Prateek Aggarwal
Director

Noida (UP), India
Date: 14 July 2023

HCL America Solutions Inc.
Statement of changes in equity
(Amount in USD lakhs, except share data and as stated otherwise)

Particulars	Equity share capital		Other equity	
	Shares	Share capital	Reserves and Surplus	
			Retained earnings	Total
Balance as at 1 April 2021	10	-	67	67
Profit for the year	-	-	95	95
Total comprehensive income for the year			95	95
Balance as at 31 March 2022	10	-	162	162
Balance as at 1 April 2022	10	-	162	162
Profit for the year	-	-	86	86
Total comprehensive income for the year			86	86
Transactions with owners of the company				
Contributions and distributions				
Dividend to holding company of 8 lac per share(Refer note 2.19(c))			(80)	(80)
Balance as at 31 March 2023	10	-	168	168

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

Rakesh Dewan
Digitally signed by Rakesh Dewan
Date: 2023.07.14
21:46:16 +05'30'

Rakesh Dewan
Partner
Membership Number: 092212

Gurugram, India
Date: 14 July 2023

For and on behalf of the Board of Directors

VIJAYAKU MAR
CHINNASWAMY
AMY
Digitally signed by VIJAYAKUMAR CHINNASWAMY
Date: 2023.07.14
17:39:02 +05'30'

C. Vijayakumar
Director

Noida (UP), India
Date: 14 July 2023

PRATEEK AGGARWAL
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Digitally signed by PRATEEK AGGARWAL
Date: 2023.07.14
17:42:40 +05'30'

Prateek Aggarwal
Director

Noida (UP), India
Date: 14 July 2023

HCL America Solutions Inc.
Statement of Cash flow
(Amount in USD lakhs, except share data and as stated otherwise)

	Year ended 31 March 2023	Year ended 31 March 2022
	(USD)	(USD)
A Cash flows from operating activities		
Profit before tax	119	131
Adjustment for:		
Interest income	(2)	-
Provision for bad debt	1	-
Provision written back	-	(1)
	118	130
Net change in		
Trade receivables	(55)	(107)
Other assets and other financial assets	15	(16)
Trade payables	42	82
Provisions, other financial liabilities, contract liabilities and other liabilities	(48)	4
Cash generated from operations	72	93
Income taxes paid (net of refunds)	(1)	(30)
Net cash flow from/(used in) operating activities (A)	71	63
B Cash flows from investing activities		
Interest received	2	-
Net cash flow from investing activities (B)	2	-
C Cash flows from financing activities		
Dividend paid to holding company	(80)	-
Repayment of loans taken from related party	-	(64)
Net cash flow used in financing activities (C)	(80)	(64)
Net increase / (decrease) in cash and cash equivalents (A+B+C)	(7)	(1)
Cash and cash equivalents at the beginning of the year	112	113
Cash and cash equivalents at the end of the period as per note 2.3	105	112

Summary of significant accounting policies (Note 1)

The accompanying notes are an integral part of the 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

Digitally signed by
Rakesh Dewan
Date: 2023.07.14 21:46:37
+05'30'

Rakesh Dewan
Partner
Membership Number: 092212

Rakesh Dewan
Date: 14 July 2023

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

VIJAYAKU
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by
VIJAYAKUMAR
CHINNASWAMY
Date: 2023.07.14
17:40:25 +05'30'

C. Vijayakumar
Director

Noida (UP), India
Date: 14 July 2023

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Digitally signed
by PRATEEK
AGGARWAL
Date: 2023.07.14
17:42:11 +05'30'

Prateek Aggarwal
Director

Noida (UP), India
Date: 14 July 2023

HCL America Solutions Inc.

Notes to financial statements for the year ended 31 March 2023

(All amount in lakhs of USD, except share data and as stated otherwise)

ORGANIZATION AND NATURE OF OPERATIONS

HCL America Solutions Inc.,(herein after referred to as “Company”) was incorporated on June 26, 2012 having its registered office in 330, Potrero Ave, Sunnyvale in the state of California, with the objective to provide product design services. Financial statements have been prepared for the period ended 31 March 2023.

The financial statements for the year ended 31 March 2023 were approved and authorized for issue by the Board of Directors on 14 July 2023.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial statements of the Company have been prepared in accordance with recognition and measurement principle laid down in Indian Accounting Standards (Ind AS) prescribed under section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time.) and presentation requirements of Schedule III (Division II) to the Companies Act, 2013, as applicable, to the financial statements. The company is not domiciled in India and hence was not incorporated under Companies Act, 2013 or under any previous Company law in India. These financial statements have been prepared on the request of the Ultimate Holding Company to comply with financial reporting requirements in India.

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

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

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 USD as its reporting currency.

b) Use of estimates and judgements

The preparation of financial statements in conformity with Ind AS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs, expenses and other comprehensive income (OCI) that are reported and disclosed in the financial statements and accompanying notes. These estimates are based upon management’s best knowledge of current events, historical experience, actions that the Company may undertake in the future and on various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. Changes in estimates are reflected in the financial statements in the year in which the changes are made.

Significant estimates and assumptions are used for, but not limited to,

- i. Accounting for costs expected to be incurred to complete performance under fixed price projects and determination of stand-alone selling prices for each distinct performance obligation in respect of proprietary software products, refer note 1(e)
- ii. Allowance for uncollectible accounts receivables, refer note 1(n)(i)
- iii. Recognition of income and deferred taxes, refer note 1(g) and note 2.16
- iv. Provisions and contingent liabilities, refer note 1(l) and note 2.23

c) Foreign currency and translation

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

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date of the transaction. Foreign currency denominated monetary assets and liabilities are translated to the relevant functional currency at exchange rates in effect at the balance sheet date. Exchange differences arising on settlement or translation of monetary items are recognized in the statement of profit and loss. Non-monetary assets and

HCL America Solutions Inc.

Notes to financial statements for the year ended 31 March 2023

(All amount in lakhs of USD, except share data and as stated otherwise)

non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of initial transaction. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined.

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

d) Fair value measurement

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

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

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

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

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

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

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

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant who would use the asset in its highest and best use.

e) Revenue Recognition

Contracts involving provision of services and material

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

Time-and-material contracts

Revenue with respect to time-and-material, volume based and transaction based contracts is recognized as the related

HCL America Solutions Inc.**Notes to financial statements for the year ended 31 March 2023****(All amount in lakhs of USD, except share data and as stated otherwise)**

services are performed through efforts expended, volume serviced transactions are processed etc. that correspond with value transferred to customer till date which is related to our right to invoice for services performed.

Fixed Price contracts

Revenue related to fixed price contracts where performance obligations and control are satisfied over a period of time like technology integration, complex network building contracts, ERP implementations and Application development are recognized based on progress towards completion of the performance obligation using a cost-to-cost measure of progress (i.e., percentage-of-completion (POC) method of accounting). Revenue is recognized based on the costs incurred to date as a percentage of the total estimated costs to fulfil the contract. Any revision in cost to complete would result in increase or decrease in revenue and such changes are recorded in the period in which they are identified.

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

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

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

Proprietary Software Products

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

Multiple performance obligation

When a sales arrangement contains multiple performance, such as services, hardware and Licensed IPs (software) or combinations of each of them revenue for each element is based on a five step approach as defined above. To the extent a contract includes multiple promised deliverables, judgment is applied to determine whether promised deliverables are capable of being distinct and are distinct in the context of the contract. If these criteria are not met, the promised deliverables are accounted for as a combined performance obligation. For arrangements with multiple distinct performance obligations or series of distinct performance obligations, consideration is allocated among the performance obligations based on their relative standalone selling price. Standalone selling price is the price at which Company would sell a promised good or service separately to the customer. When not directly observable, we typically estimate standalone selling price by using the expected cost plus a margin approach. We typically establish a standalone selling price range for our deliverables, which is reassessed on a periodic basis or when facts and circumstances change. If the arrangement contains obligations related to License of Intellectual property (Software) or Lease deliverable, the arrangement consideration allocated to the Software deliverables, lease deliverable as a Company is then allocated to each software obligation and lease deliverable. unbilled receivables, contract assets and finance lease receivables. No single customer accounted for more than 10% of trade receivables, unbilled receivables and finance lease receivables. The Company also outsourced selected client related credit risks to financial markets through "Non-recourse assignment" of receivables.

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

HCL America Solutions Inc.

Notes to financial statements for the year ended 31 March 2023

(All amount in lakhs of USD, except share data and as stated otherwise)

Revenue from certain activities in transition services in outsourcing arrangements are not capable of being distinct or represent separate performance obligation. Revenues relating to such transition activities are classified as Contract liabilities and subsequently recognized over the period of the arrangement. Direct and incremental costs in relation to such transition activities which are expected to be recoverable under the contract are considered as contract fulfilment costs classified as Deferred contract cost and recognized over the period of arrangement. Certain upfront non-recurring incremental contract acquisition costs incurred in the initial phases of outsourcing contracts are deferred and recorded as Deferred contract cost and amortized, usually on a straight line basis, over the term of the contract unless revenues are earned and obligations are fulfilled in a different pattern. The undiscounted future cash flows from the arrangement are periodically estimated and compared with the unamortized costs. If the unamortized costs exceed the undiscounted cash flow, a loss is recognized.

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

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

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

Revenue from sales-type leases is recognized when risk of loss has been transferred to the client and there are no unfulfilled obligations that affect the final acceptance of the arrangement by the client.

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

Interest income

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

(f) Other income

Other income mainly comprises interest income on debt securities, bank and other deposits, other interest income recognized using the effective interest method, profit on sale of property, plant and equipments, debt securities and mutual fund and net foreign exchange gains.

g) 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.

HCL America Solutions Inc.

Notes to financial statements for the year ended 31 March 2023

(All amount in lakhs of USD, except share data and as stated otherwise)

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

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

The effect of changes in tax rates on deferred income tax assets and liabilities is recognized as income or expense in the period that includes the enactment or the substantive enactment date. A deferred income tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilized.

h) Property, plant and equipment

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

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

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

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

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

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

<u>Asset description</u>	<u>Asset life (in years)</u>
Computers and Networking Equipment	4-5

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

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

i) Intangible assets

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

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

HCL America Solutions Inc.

Notes to financial statements for the year ended 31 March 2023

(All amount in lakhs of USD, except share data and as stated otherwise)

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

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

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

j) Research and development costs

Research costs are expensed as incurred. Development expenditure, on an individual project, is recognized as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Subsequently, following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization expense is recognized in the statement of profit and loss. During the period of development, the asset is tested for impairment annually.

k) Impairment of non-financial assets

Intangible assets and property, plant and equipment

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

l) Provisions and contingencies

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

The Company uses significant judgment to disclose contingent liabilities. Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the 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.

m) Retirement and other employee benefits

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

ii. Compensated absences: The employees of the Company are entitled to compensated absences which are both accumulating and non-accumulating in nature. The expected cost of accumulating compensated absences is determined

by actuarial valuation (using the Projected Unit Credit method) based on the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the balance sheet date. Accumulated leave, which is expected to be utilized within the next 12 months, is treated as a short-term employee benefit and accumulated leave expected to be carried forward beyond twelve months is treated as a long-term employee benefit for measurement purposes. The expense on non-accumulating compensated absences is recognized in the period in which the absences occur. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred.

n) Financial Instruments

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

(i) Financial assets

All financial assets are recognized initially at fair value. Transaction costs that are directly attributable to the acquisition of the financial assets (other than financial assets at fair value through profit or loss) are added to the fair value measured on initial recognition of financial asset. Purchase and sale of financial assets are accounted for at trade date. However, trade receivables that do not contain a significant financing component are measured at transaction price.

Cash and cash equivalents

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

Financial instruments at amortized cost

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

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

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

Financial instruments at Fair Value through OCI

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

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

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

Impairment of financial assets

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

(ii) Financial liabilities

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest rate (EIR) method except for deferred consideration recognized in a business combination which is subsequently measured at fair value through profit and loss. Gains and losses are recognized in the statement of profit and loss when the liabilities are derecognized as well as through the EIR amortization process.

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

Derecognition

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

Offsetting of financial instruments

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

o) Earnings per share (EPS)

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

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

p) Adoption of new accounting principles

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

The amendments clarify 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.

q) 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.

HCL America Solutions Inc.

Notes to financial statements for the year ended 31 March 2023

(All amount in lakhs of USD, except share data and as stated otherwise)

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 America Solutions Inc.

Notes to financial statements for the year ended 31 March 2023

(All amount in lakhs of USD, except share data and as stated otherwise)

2. Notes to financial statements

2.1 Trade receivables- Current

	As at	
	31 March 2023	31 March 2022
Billed		
Unsecured, considered good (refer note below)	587	532
Trade receivables - credit impaired	2	1
	589	533
Impairment allowance for bad and doubtful debts (refer note 2.17(b))	(2)	(1)
	587	532
Unbilled receivables (refer note below)	31	31
	618	563

Note:

Trade receivables include receivables from related parties amounting to USD 540 (previous year: USD 475) refer note 2.19(d).

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	33	551	1	1	1	-	587
Undisputed – credit impaired	-	1	1	-	-	-	2
Impairment allowance for bad and doubtful debts							589 (2)
Unbilled receivables							587 31
							618

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	55	430	-	1	-	46	532
Undisputed – credit impaired	-	-	-	-	-	1	1
Impairment allowance for bad and doubtful debts							533 (1)
Unbilled receivables							532 31
							563

2.2 Other non-current assets

	As at	
	31 March 2023	31 March 2022
Unsecured considered good :		
- Deferred contract cost (Refer note 2.11)	1	1
	1	1

HCL America Solutions Inc.

Notes to financial statements for the year ended 31 March 2023

(All amount in lakhs of USD, except share data and as stated otherwise)

2.3 Cash and Cash Equivalents

	As at	
	31 March 2023	31 March 2022
Balance with banks	55	112
Deposits with original maturity of less than 3 months	50	-
	105	112

2.4 Other financial assets

	As at	
	31 March 2023	31 March 2022
Current		
Carried at amortized cost		
Security deposits	1	-
	1	-

2.5 Other Current Assets

	As at	
	31 March 2023	31 March 2022
Unsecured, considered good		
Advances other than capital Advances :		
Advances to employees	1	1
Others:		
Deferred contract cost-related parties (refer note 2.11 & 2.19(d))	-	17
Prepaid Expenses	1	-
	2	18

2.6 Share Capital

	As at	
	31 March 2023	31 March 2022
Authorized		
10 (31 March 2023:10, 31 March 2022:10) equity shares of, USD 1000 each	-	-
Issued, subscribed and fully paid up		
10 (31 March 2023:10, 31 March 2022:10) equity shares of, USD 1000 each	-	-

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

Term/rights attached to equity shares

The Company has only one class of shares referred to as equity shares having a par value of, USD 1000/-. Each holder of equity shares is entitled to one vote per share.

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

HCL America Solutions Inc.

Notes to financial statements for the year ended 31 March 2023

(All amount in lakhs of USD, except share data and as stated otherwise)

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

	As at			
	31 March 2023		31 March 2022	
	No. of shares	USD	No. of shares	USD
Number of shares at the beginning	10	-	10	-
Number of shares at the end	10	-	10	-

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

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

	As at			
	31 March 2023		31 March 2022	
	No. of shares	% holding in the class	No. of shares	% holding in the class
Equity shares of USD 1000 each, fully paid HCL America Inc., USA, the holding company	10	100.00%	10	100.00%

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

There are no bonus shares issued, no shares issued for consideration other than cash and no shares bought back during the period of five years immediately preceding the reporting date.

c) Details of promoter holding shares in the company:-

	As at				% change during the year
	31 March 2023		31 March 2022		
	No. of shares	% holding in the class	No. of shares	% holding in the class	
Equity shares of USD 1000 each, fully paid HCL America Inc., USA, the holding company	10	100.00%	10	100.00%	0.00%

Capital Management

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

2.7 Trade Payables - current

	As at	
	31 March 2023	31 March 2022
Trade payables	50	146
Trade payables-related parties (refer note 2.19(d))	139	101
	189	247
Unbilled and accruals	115	131
Unbilled and accruals-related parties (refer note 2.19 (d))	131	15
	246	146
	435	393

HCL America Solutions Inc.

Notes to financial statements for the year ended 31 March 2023

(All amount in lakhs of USD, except share data and as stated otherwise)

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) Trade Payables	65	124	-	-	-	189
Unbilled and accruals						189
						246
						435

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) Trade Payables	146	74	27	-	-	247
Unbilled and accruals						247
						146
						393

2.8 Other Financial Liabilities

	As at	
	31 March 2023	31 March 2022
Current		
Carried at amortized cost		
Accrued salaries and benefits:		
Employee bonus accrued	4	3
Others employee cost	45	75
Others		
Liabilities for expenses	1	1
	50	79

2.9 Other current liabilities

	As at	
	31 March 2023	31 March 2022
Current:		
Other Advances:		
Advance received from customers	1	8
Others		
Withholding and other taxes payable	6	20
	7	28

2.10 Provisions

	As at	
	31 March 2023	31 March 2022
Non-Current		
Provision for leave benefits	9	10
	9	10
Current		
Provision for leave benefits	19	19
	19	19

2.11 Revenue from operations

	Year ended	
	31 March 2023	31 March 2022
Sale of products	1	-
Sale of services	2,922	2,968
	2,923	2,968

Revenue disaggregation as per geography has been included in segment information (refer note 2.18).

Remaining performance obligations

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 \$ 646 lakhs (31 March 2022 \$ 675 lakhs) out of which, approximately 41% is expected to be recognized as revenues within one year and the balance beyond one year. This is after exclusions as below:

- Contracts for which we recognize revenues based on the right to invoice for services performed,
- Variable consideration allocated entirely to a wholly unsatisfied performance obligation or to a wholly unsatisfied promise to transfer a distinct good or service that forms part of a single performance obligation, or
- Variable consideration in the form of a sales-based or usage-based royalty promised in exchange for a license of intellectual property.

Contract balances

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

The company does not have any contract assets as on 31 March 2023.

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

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

	Year ended	
	31 March 2023	31 March 2022
Balance as at beginning of the year	10	24
Additional amounts billed but not recognized as revenue	4	8
Deduction on account of revenues recognized during the year	-	(22)
Balance as at end of the year	14	10

HCL America Solutions Inc.**Notes to financial statements for the year ended 31 March 2023****(All amount in lakhs of USD, except share data and as stated otherwise)**

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

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

	Year ended	
	31 March 2023	31 March 2022
Balance as at beginning of the year	18	-
Additional cost capitalized during the year	1	18
Deduction on account of cost amortized during the year	(18)	-
Balance as at end of the year	1	18

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

	Year ended	
	31 March 2023	31 March 2022
Contracted price	2,922	2,968
Reduction towards variable consideration components	1	-
Revenue recognized	2,923	2,968

The reduction towards variable consideration comprises of volume discounts, service level credits etc.

2.12 Other Income

	Year ended	
	31 March 2023	31 March 2022
Interest Income – Bank and other deposits	2	-
Provision written back	-	1
	2	1

2.13 Employee benefit expenses

	Year ended	
	31 March 2023	31 March 2022
Salary, wages & bonus	1,492	1,575
Contribution to employee benefits	101	101
	1,593	1,676

2.14 Outsourcing cost

	Year ended	
	31 March 2023	31 March 2022
Outsourcing Cost	708	907
Outsourcing Cost-related parties (refer note 2.19(c))	463	220
	1,171	1,127

HCL America Solutions Inc.
Notes to financial statements for the year ended 31 March 2023
(All amount in lakhs of USD, except share data and as stated otherwise)
2.15 Other expenses

	Year ended	
	31 March 2023	31 March 2022
Rent (refer note 2.19(c))	18	22
Travel and Conveyance	12	9
Communication costs	1	1
Legal & Professional	2	1
Provision for doubtful debts/ bad debts	1	-
Miscellaneous expenses	8	2
	42	35

2.16 Income Taxes

	Year ended	
	31 March 2023	31 March 2022
Income tax charged to statement of profit and loss		
Current Income Tax Charge	35	30
Deferred tax charge (credit)	(2)	6
	33	36

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

	Year ended	
	31 March 2023	31 March 2022
Profit before income tax	119	131
Statutory tax rate in USA	27.22%	27.30%
Expected tax expense	32	36
Others	1	-
Total taxes	33	36
Effective income tax rate	27.98%	27.30%

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

	Opening balance	Recognized in profit and loss	Closing balance
Deferred tax asset			
Provision for doubtful debts	-	1	1
Accrued employee cost	7	1	8
Gross deferred tax assets (A)	7	2	9
Gross deferred tax liabilities (B)	-	-	-
Net deferred tax assets (A-B)	7	2	9

HCL America Solutions Inc.

Notes to financial statements for the year ended 31 March 2023

(All amount in lakhs of USD, except share data and as stated otherwise)

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

	Opening balance	Recognized in profit and loss	Closing balance
Deferred tax assets			
Provision for doubtful debts	1	(1)	-
Accrued employee cost	6	1	7
Others	6	(6)	-
Gross deferred tax assets (A)	13	(6)	7
Gross deferred tax liabilities (B)	-	-	-
Net deferred tax assets (A-B)	13	(6)	7

2.17 Financial Instruments

(a) Financial assets and liabilities

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

	Amortized cost	Total Carrying Value
Financial Assets		
Trade receivables		
Billed	587	587
Unbilled	31	31
Others	1	1
Cash and cash equivalents	105	105
Total	724	724
Financial Liabilities		
Trade payables		
Billed	189	189
Unbilled and accruals	246	246
Others	50	50
Total	485	485

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

	Amortized cost	Total Carrying Value
Financial Assets		
Trade receivables		
Billed	532	532
Unbilled	31	31
Cash and cash equivalents	112	112
Total	675	675
Financial Liabilities		
Trade payables		
Billed	247	247
Unbilled and accruals	146	146
Others	79	79
Total	472	472

HCL America Solutions Inc.**Notes to financial statements for the year ended 31 March 2023****(All amount in lakhs of USD, except share data and as stated otherwise)****(b) Financial risk management**

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

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

Market risk

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

(i) Foreign currency risk

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

The exchange rate risk primarily arises from assets and liabilities denominated in currencies other than the functional currency of the company and foreign currency forecasted revenue and cash flows. A significant portion of the Company revenue and cost is in USD.

The impact of appreciation / depreciation of 1% in respective foreign currencies on profit before tax is not material for the year ended 31 March 2023.

The rate sensitivity is calculated by aggregation of the net foreign exchange rate exposure and a simultaneous parallel foreign exchange rates shift of all the currencies by 1% against the respective functional currencies of the Company.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company's exposure to the risk of changes in market interest rates arises on borrowings with floating interest rate, has no risk as there is no borrowings.

Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash and bank balances, trade receivables, unbilled receivables. The cash resources of the Company are invested with banks and corporations after an evaluation of the credit risk. By their nature, all such financial instruments involve risks, including the credit risk of non-performance by counterparties.

The customers of the Company are primarily corporations based in the United States of America and accordingly, trade receivables and finance lease receivables are concentrated in the respective countries. The Company periodically assesses the financial reliability of customers, taking into account the financial condition, current economic trends, analysis of historical bad debts and ageing of accounts receivables, 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	1	2
Additional provision during the year	1	-
Deductions on account of write offs and collections	-	1
Balance at the end of the year	2	1

HCL America Solutions Inc.**Notes to financial statements for the year ended 31 March 2023****(All amount in lakhs of USD, except share data and as stated otherwise)****Liquidity Risk**

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

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

	Year 1 (Current)	Year 2	Year 3	Year 4-5 & thereafter	Total
As at 31 March 2023					
Trade payables (including unbilled and accruals)	435	-	-	-	435
Other financial liabilities	50	-	-	-	50
Total	485	-	-	-	485
As at 31 March 2022					
Trade payables (including unbilled and accruals)	393	-	-	-	393
Other financial liabilities	79	-	-	-	79
Total	472	-	-	-	472

2.18 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's ultimate holding company, HCL Technologies Limited's chief operating decision maker (CODM) reviews its results for allocation of resources and assessing performance by business segment comprising IT and Business Services, Engineering and R&D Services, and HCL Software segment. The ultimate Holding Company monitors the risk and returns of the Company's businesses on an entity level and evaluates the performance of the Company as one business segment. Hence there is only one reportable segment of the Company, as envisaged under Indian Accounting Standards -108 "Operating segments".

Revenue disaggregation as per geography is given below:

	Year ended	
	31 March 2023	31 March 2022
Geography wise		
America	1,156	1,303
Others	1,177	1,665
	2,923	2,968

2.19 Related parties' transactions**a) Related parties where control exists****Holding Company**

HCL America Inc.

Ultimate Holding Company

HCL Technologies Limited

b) Related parties with whom transaction have taken place during the year**Holding Company**

HCL America Inc.

HCL America Solutions Inc.**Notes to financial statements for the year ended 31 March 2023****(All amount in lakhs of USD, except share data and as stated otherwise)****Ultimate Holding Company**

HCL Technologies Limited

Fellow Subsidiaries

HCL Technologies UK Limited

HCL Technologies Corporate Services Limited.

HCL Technologies Colombia SAS

HCL Technologies Chile SpA

HCL Technologies Solutions GmBh (fly Axon Soltns Schz GmbH)

HCL Canada Inc.-SD

HCL Argentina

HCL (Ireland) Information Systems Limited

HCL Technologies Sweden AB

HCL Australia Services Pty. Limited, Australia

HCL Technologies Finland Oy

HCL Great Britain Limited

HCL Singapore Pte. Limited, Singapore

HCL Technologies Philippines Inc

HCL Technologies Denmark ApS

HCL Technologies Germany GmbH

HCL Technologies Malaysia SDN BHD (Fy HCLAxon Malaysia SDNBHD)

HCL (Brazil) Tecnologia Da Informacao EIRELI

HCL Mexico

HCL Technologies Italy S.p.A.

HCL Technologies Belgium BVBA

HCL Technologies Sweden (IOMC)

HCL Poland Sp.z.o.o.

HCL Hong Kong SAR Limited, Hong Kong

HCL Technologies France

HCL Vietnam Company Limited

HCL Technologies Czech republic s.r.o.

HCL POLAND SP.Z O.O.

HCL Technologies Greece Single

HCL Technologies Czech Republic

HCL Technologies France

HCL HONG KONG SAR LIMITED

HCL Technologies (Thailand)Ltd

HCL Technologies (Vietnam) Ltd

Sankalp Semiconductor Private Limited

Butler America Aerospace LLC

Axon Solutions (Shanghai) Co. Limited

Filial Espanola De Hcl Technologies, S.L. (HCL Spain)

Geometric Americas Inc.

Telerox Marketing, Inc.

Starschema Inc

Non-Executive & Independent Directors

Mr. C. Vijayakumar

Ms. Robin Abrams

Mr. Raghu Raman Lakshmanan

Mr. Prateek Aggarwal

c) Transactions with related parties during the year

Transactions with related parties during the normal course of business	Ultimate Holding Company		Holding Company		Fellow Subsidiaries	
	Year ended					
	31 March 2023	31 March 2022	31 March 2023	31 March 2022	31 March 2023	31 March 2022
Revenue from operations	69	88	805	971	1,689	1,555
Outsourcing cost	248	-	201	206	14	14
Dividend paid	-	-	80	-	-	-
Rent	-	-	17	22	1	-
Loan repaid	-	-	-	-	-	64

d) Outstanding balances with related parties

Outstanding balances	Ultimate Holding Company		Holding Company		Fellow Subsidiaries	
	As at					
	31 March 2023	31 March 2022	31 March 2023	31 March 2022	31 March 2023	31 March 2022
Trade Receivable	23	21	106	241	411	213
Deferred contract cost	-	17	-	-	-	-
Trade payables	-	-	136	96	3	5
Unbilled and accruals	126	-	-	15	5	-
Receivable Expense	-	-	-	1	-	-

2.20 Earning per share

Particulars	Year Ended	
	31 March 2023	31 March 2022
Earnings as per statement of profit and loss for computation of EPS	86	95
Weighted average number of equity shares outstanding in calculating Basic and dilutive EPS	10	10
Nominal value of equity shares	1,000	1,000
Earnings per equity share -Basic and diluted	860,000	950,000

2.21 Ratio

Ratio	Numerator	Denominator	Units	Year ended		% Variance
				31 March 2023	31 March 2022	
Current ratio	Current assets	Current liabilities	Times	1.3	1.3	0%
Debt Service coverage ratio	Earning available for debt service (refer note below 1)	Debt service (refer note below 2)	Times	-	1.5	(100)%
Return on equity ratio	Profit for the year	Average total equity	%	52.1	83.0	(37)%
Trade receivables turnover ratio	Revenue from operations	Average trade receivables	Times	5.0	5.9	(15)%
Trade payables turnover ratio	Net credit purchases (refer note below 3)	Average trade payables	Times	2.9	3.3	(11)%
Net capital turnover ratio	Revenue from operations	Working capital (refer note below 4)	Times	17.5	18.0	(3)%
Net profit ratio	Profit for the year	Revenue from operations	%	2.9	3.2	(8)%
Return on capital employed	Earnings before interest and taxes	Capital employed (refer note 5 below)	%	73.6	84.5	(14)%

Notes:

1. Earnings available for debt services = Profit for the year + depreciation, amortization and impairment + interest + Provision for doubtful debts + non-cash charges.
2. Debt service = Interest + payment for lease liabilities + principal repayments
3. Net credit purchase includes outsourcing costs and other expenses
4. Working capital = current assets - current liabilities
5. Capital employed = Tangible net worth includes acquired goodwill and other intangibles assets + total debt - deferred tax assets
6. Average is calculated based on simple average of opening and closing balances.

Explanation where change in the ratio is more than 25%

- **Return on equity ratio** has reduced due to decrease in PAT and increase in average equity in current year
- **Debt Service coverage ratio** has reduced because debt has been repaid.

2.22 Research and development expenditure

	As at	
	31 March 2023	31 March 2022
Amount charged to statement of profit and loss	3	4
	3	4

2.23 Commitments and Contingent liabilities

The Company records a liability when it is both probable that a loss has been incurred and the amount can be reasonably estimated. Significant judgement is required to determine both probability and the estimated amount. The Company reviews these provisions at least quarterly and adjusts these provisions accordingly to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, and updated information. The Company believes that the amount or estimable range of reasonably possible loss, will not, either individually or in the aggregate, have a material adverse effect on its business, financial position, results of the Company, or cash flows with respect to loss contingencies for legal and other contingencies as at 31 March 2023.

2.24 Round off

All amounts are presented in lakhs of 'rounded to whole number and amounts less than '0.50 lakhs are presented as "-".

2.25 Subsequent event

The Company has evaluated all the subsequent events through 14 July 2023, which is the date on which these financial statements were issued, and no events have occurred from the balance sheet date except for matters that have been considered in the financial statements.

As per our report of even date attached

For B S R & Co. LLP
Firm's Registration Number: 101248W/W-100022
Chartered Accountants

Rakesh
Dewan

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Rakesh Dewan
Date: 2023.07.14
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Rakesh Dewan
Partner
Membership Number: 092212

Gurgaon, India
Date: 14 July 2023

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

VIJAYAKUMAR
CHINNASWAMY
MY

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VIJAYAKUMAR
CHINNASWAMY
Date: 2023.07.14
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C. Vijayakumar
Director

Noida (UP), India
Date: 14 July 2023

PRATEEK
AGGARWAL
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by PRATEEK
AGGARWAL
Date: 2023.07.14
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Prateek Aggarwal
Director

Noida (UP), India
Date: 14 July 2023