

HCL Software Products 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
Tel: +91 124 719 1000
Fax: +91 124 235 8613

Independent Auditor's Report

To the Members of HCL Software Products Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of HCL Software Products 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, 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) 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.

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.

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

Registered Office:

B S R & Co. (a partnership firm with Registration No. BA61223) converted into B S R & Co. LLP (a Limited Liability Partnership with LLP Registration No. AAB-8181) with effect from October 14, 2013

14th Floor, Central B Wing and North C Wing, Nesco IT Park 4, Nesco Center, Western Express Highway, Goregaon (East), Mumbai - 400063

Independent Auditor's Report (Continued)**HCL Software Products Limited**

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, 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.

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.
- 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

Independent Auditor's Report (Continued)

HCL Software Products Limited

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. 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.
- f. 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:

- 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 2.20 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 their knowledge and belief, as disclosed in the Note 2.31 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 their knowledge and belief, as disclosed in the Note 2.31 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,

Independent Auditor's Report (Continued)

HCL Software Products Limited

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. With respect to the matter to be included in the Auditor's Report under Section 197(16) of the Act:
- In our opinion and according to the information and explanations given to us, the Company has not paid any remuneration to its directors during the year. 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.:101248W/W-100022

**Rakesh
Dewan**

Digitally signed by
Rakesh Dewan
Date: 2023.06.26
19:24:10 +05'30'

Rakesh Dewan

Partner

Place: Gurugram

Date: 26 June 2023

Membership No.: 092212

ICAI UDIN:23092212BGXMAM4045

Annexure A to the Independent Auditor's Report on the Financial Statements of HCL Software Products 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.
- (A) The Company does not have any intangible assets. Accordingly, clause 3(i)(a)(B) of the Order is not applicable
- (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 in a phased manner over a period of 3 years. In accordance with this programme, certain property, plant and equipment were verified during the year. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. As informed to us, no material discrepancies were noticed on such verification.
- (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 (including Right of Use assets) 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, primarily rendering a range of business process outsourcing services and products and platform services. 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 provided guarantee or security or advances in the nature of loans to companies, firms, limited liability partnership or any other parties during the year. The Company has made investments and has granted unsecured loans to Companies during the year, in respect of which the requisite information is as below. The Company has not made any investments or granted any loans, secured or unsecured, to firms, limited liability partnership or any other parties during the year.
- (a) A. The Company does not have any subsidiary, associate or joint venture. Accordingly, clause 3(iii)(a) A of the Order is not applicable.

B. Based on the audit procedures carried on by us and as per the information and explanations given to us, the Company has granted unsecured loans as below:

Particulars	Amount in INR Lakhs
Aggregate amount during the year – Loans to Others (HCL Training & Staffing Services Private Limited)	2,490

Annexure A to the Independent Auditor's Report on the Financial Statements of HCL Software Products Limited for the year ended 31 March 2023
(Continued)

Balance outstanding as at balance sheet date – Loans to Others (HCL Training & Staffing Services Private Limited)	2,490
---	-------

- (b) According to the information and explanations given to us and based on the audit procedures conducted by us, in our opinion the investment made and terms and conditions of the grant of loans during the year are, prima facie, not prejudicial to the interest of the Company. Further, the Company has not provided any guarantee or security or given any advance in the nature of loan to any party during the year.
- (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, in the case of loans given, in our opinion the repayment of principal and payment of interest has been stipulated and the repayments or receipts have been regular. Further, the Company has not given any advance in the nature of loan to any party during the year.
- (d) According to the information and explanations given to us and on the basis of our examination of the records of the Company, there is no overdue amount for more than ninety days in respect of loans given. Further, the Company has not given any advances in the nature of loans to any party 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 is no loan granted falling due during the year, which has been renewed or extended or fresh loans granted to settle the overdues of existing loans given to same parties.
- (f) 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 granted any loans or advances in the nature of loans either repayable on demand or without specifying any terms or period of repayment.
- (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 not given any loans, or provided guarantees or securities, as specified under section 185 of the Companies Act, 2013. Further, the Company has complied with the provisions of Section 186 of the Companies Act, 2013 in relation to investment made and loans given. The Company has not provided any security or any guarantee as specified under section 186 of the Companies Act, 2013.
- (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.

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

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

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 Goods and Service Tax, Provident Fund, Employees State Insurance, Income-Tax, Duty of Customs or Cess or other statutory dues which have not been deposited on account of any dispute are as follows:

Name of the statute	Nature of the dues	Amount (INR Lakhs)	Period to which the amount relates	Forum where dispute is pending	Remarks, if any
Income Tax Act, 1961	Income Tax	623*	Financial year 2016-17	Commissioner of Income Tax (Appeals)	NA

* Total amount deposited under protest in respect of Income Tax is INR 623 lakhs.

- (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 raised on short-term basis have been used for long-term purposes by the Company.
- (e) The Company does not hold any investment in any subsidiary, associate or joint venture (as defined under the Act) during the year ended 31 March 2023. Accordingly, clause 3(ix)(e) is not applicable.
- (f) The Company does not hold any securities in any subsidiary, associate or joint venture (as defined under the Act) during the year ended 31 March 2023. Accordingly, clause 3(ix)(f) is not applicable.
- (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.

Annexure A to the Independent Auditor's Report on the Financial Statements of HCL Software Products Limited for the year ended 31 March 2023
(Continued)

- (xi) (a) Based on examination of the books and records of the Company and according to the information and explanations given to us, 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.
- (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) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 188 of Act where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards. The provisions of section 177 are not applicable to the company and accordingly reporting under clause 3(xiii) insofar as it relates to section 177 of the Act is not applicable to the Company and hence not commented upon.
- (xiv) (a) Based on information and explanations provided to us and our audit procedures, in our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (b) We have considered the internal audit reports of the Company issued till date for the period under audit.
- (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.
- (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

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

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) In our opinion and according to the information and explanations given to us, there is no unspent amount under sub-section (5) of Section 135 of the Act pursuant to any project. 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**

Digitally signed by
Rakesh Dewan
Date: 2023.06.26
19:24:51 +05'30'

Rakesh Dewan

Partner

Place: Gurugram

Date: 26 June 2023

Membership No.: 092212

ICAI UDIN:23092212BGXMAM4045

Annexure B to the Independent Auditor's Report on the financial statements of HCL Software Products 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 Software Products 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 provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial

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

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.:101248W/W-100022

Rakesh
Dewan

Digitally signed by Rakesh
Dewan
Date: 2023.06.26 19:25:29
+05'30'

Rakesh Dewan

Partner

Place: Gurugram

Date: 26 June 2023

Membership No.: 092212

ICAI UDIN:23092212BGXMAM4045

HCL Software Products Limited**Balance Sheet**

(All amounts in lakhs of ₹ 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) Property, plant and equipment	2.1	57	3
(b) Goodwill	2.2	134	124
(c) Deferred tax assets (net)	2.20	671	1,781
(d) Other non-current assets	2.4	6	52
		<u>868</u>	<u>1,960</u>
(2) Current assets			
(a) Financial Assets			
(i) Investments	2.3	13,547	6,662
(ii) Trade receivables			
Billed	2.5	3,246	20,228
Unbilled	2.5	25,138	16
(iii) Cash and cash equivalents	2.6	16,029	10,606
(iv) Loans	2.7	2,490	300
(v) Others	2.8	1,550	7,336
(b) Current tax Assets (net)		2,417	8,475
(c) Other current assets	2.9	5,585	1,120
		<u>70,002</u>	<u>54,743</u>
TOTAL ASSETS		<u><u>70,870</u></u>	<u><u>56,703</u></u>
II. EQUITY			
(a) Equity Share Capital	2.10	11	11
(b) Other Equity		38,961	26,417
TOTAL EQUITY		<u><u>38,972</u></u>	<u><u>26,428</u></u>
III. LIABILITIES			
(1) Non - current liabilities			
(a) Financial liabilities			
(i) Others	2.13	1,204	-
(b) Contract liabilities		58	-
(c) Provisions	2.11	6	6
Total non-current liabilities		<u>1,268</u>	<u>6</u>

HCL Software Products Limited**Balance Sheet**

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

	Note No.	As at 31 March 2023	As at 31 March 2022
III. LIABILITIES (continued)			
(2) Current liabilities			
(a) Financial liabilities			
(i) Trade payables			
Billed			
1. Dues of micro enterprises and small enterprises	2.29	-	-
2. Dues of creditors other than micro enterprises and small enterprises	2.12	5,123	537
Unbilled & accruals	2.12	2,962	846
(ii) Others	2.13	17,061	24,808
(b) Contract liabilities		2,606	-
(c) Other current liabilities	2.14	272	1,442
(d) Provisions	2.11	2,606	2,636
Total current liabilities		30,630	30,269
TOTAL LIABILITIES		31,898	30,275
TOTAL EQUITY AND LIABILITIES		70,870	56,703
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**Chartered Accountants**

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

Rakesh
DewanDigitally signed by Rakesh
Dewan
Date: 2023.06.26 19:41:07
+05'30'

Rakesh Dewan

Partner

Membership Number: 092212

Place: Gurugram, India

Date: 26 June 2023

**For and on behalf of the Board of Directors
of HCL Software Products Limited**GOUTA
M
RUNGTA

Goutam Rungta

Director

DIN: 08599656

RAMASW
AMY
GANDHI

Ramaswamy Gandhi

Director

DIN: 09523432

Place: Noida(U.P.), India

Date: 26 June 2023

HCL Software Products Limited**Statement of Profit and Loss**

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

	Note No.	Year ended 31 March 2023	Year ended 31 March 2022
I Revenue			
Revenue from operations	2.15	204,458	188,401
Other income	2.16	1,297	382
Total income		205,755	188,783
II Expenses			
Employee benefits expense	2.17	160,759	161,340
Finance costs	2.18	9	8
Depreciation expense	2.1	6	1
Outsourcing costs		10,948	3,639
Other expenses	2.19	16,694	6,223
Total expenses		188,416	171,211
III Profit before tax		17,339	17,572
IV Tax expense	2.20		
Current tax		5,522	3,845
Deferred tax charge		1,242	2,420
Total tax expense		6,764	6,265
V Profit for the year		10,575	11,307
VI Other comprehensive income			
Foreign currency translation		1,968	391
Items that will not be reclassified to statement of profit and loss		1	-
Income tax on items that will not be reclassified to statement of profit and loss		(1)	-
Total other comprehensive income		1,968	391
VII Total comprehensive income for the year		12,543	11,698
Earnings per equity share of ₹ 10 each	2.21		
Basic (in ₹)		9,969.83	10,659.94
Diluted (in ₹)		9,969.83	10,659.94
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**Chartered Accountants**

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

Rakesh Dewan
 Digitally signed by
 Rakesh Dewan
 Date: 2023.06.26
 19:41:42 +05'30'

Rakesh Dewan

Partner

Membership Number: 092212

Place: Gurugram, India

Date: 26 June 2023

**For and on behalf of the Board of Directors
of HCL Software Products Limited**

GOUTAM
M
RUNGTA
 Digitally signed by Goutam Rungta
 DN: cn=Goutam Rungta, o=HCL Software Products Limited, ou=HCL Software Products Limited, email=goutam.rungta@hcl.com, c=IN
 Date: 2023.06.26 19:30:11 +05'30'

Goutam Rungta

Director

DIN: 08599656

RAMASWAMY
AMY
GANDHI
 Digitally signed by Ramaswamy Gandhi
 DN: cn=Ramaswamy Gandhi, o=HCL Software Products Limited, ou=HCL Software Products Limited, email=ramaswamy.gandhi@hcl.com, c=IN
 Date: 2023.06.26 19:30:11 +05'30'

Ramaswamy Gandhi

Director

DIN: 09523432

Place: Noida(U.P.), India

Date: 26 June 2023

HCL Software Products Limited**Statement of Changes in Equity**

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

	Equity share capital		Other Equity		Total Equity
	Number of shares	Share capital	Retained earnings	Foreign currency translation reserve	
Balance as of 1 April 2021	106,070	11	14,741	(22)	14,730
Profit for the year	-	-	11,307	-	11,307
Other comprehensive loss	-	-	-	391	391
Total comprehensive income for the year	-	-	11,307	391	11,698
Balance as of 31 March 2022	106,070	11	26,048	369	26,428
Balance as of 1 April 2022	106,070	11	26,048	369	26,428
Profit for the year	-	-	10,575	-	10,575
Other comprehensive income	-	-	-	1,968	1,968
Total comprehensive income for the year	-	-	10,575	1,968	12,543
Balance as of 31 March 2023	106,070	11	36,623	2,338	38,971

Nature & purpose of reserves

Foreign currency translation reserve :-Exchange differences arising on translation of the foreign operations are recognized in other comprehensive income as described in accounting policy and accumulated in a separate reserve within equity.

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**Chartered Accountants**

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

**For and on behalf of the Board of Directors
of HCL Software Products Limited**

Rakesh
Dewan

Digitally signed by Rakesh
Dewan
Date: 2023.06.26 19:42:13
+05'30'

Rakesh Dewan

Partner

Membership Number: 092212

GOUTA
M
RUNGTA

Goutam Rungta

Director

DIN: 08599656

RAMAS
WAMY
GANDHI

Ramaswamy Gandhi

Director

DIN: 09523432

Place: Gurugram, India

Date: 26 June 2023

Place: Noida(U.P.), India

Date: 26 June 2023

HCL Software Products Limited**Cash flow statement**

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

	Year ended 31 March 2023	Year ended 31 March 2022
A. Cash flows from operating activities		
Profit before tax	17,339	17,572
Adjustment for:		
Depreciation expense	6	1
Interest income	(551)	(31)
Share based payments	902	-
Interest on direct taxes	9	-
Income on investments carried at fair value through profit and loss	(648)	(257)
Provision for doubtful debt	52	-
	17,109	17,285
Net change in		
Trade receivables	(8,192)	86,149
Financial assets and other assets	3,326	(521)
Trade payables	6,702	(3,271)
Provisions, other financial liabilities and other liabilities	(5,979)	(80,433)
Cash generated from operations	12,966	19,209
Income tax paid (net of refunds)	802	(12,323)
Net cash flow generated from operating activities (A)	13,767	6,886
B. Cash flows from investing activities		
Investment in mutual funds	(31,737)	(24,889)
Proceeds from sale of mutual funds	25,502	27,256
Purchase of property, plant & equipment	(50)	-
Loan given to fellow subsidiary	(2,490)	-
Proceeds from loans extended to fellow subsidiary	300	200
Interest received	131	33
Net cash flow from/(used in) investing activities (B)	(8,344)	2,600
C. Cash flows from financing activities		
Net cash flow from financing activities (C)	-	-
Net increase in cash and cash equivalents (A+B+C)	5,423	9,486
Cash and cash equivalents at the beginning of the year	10,606	1,120
Cash and cash equivalents at the end of the year as per Note 2.6	16,029	10,606

Summary of significant accounting policies (note 1)

As per our report of even date attached

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

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

Rakesh
Dewan

Digitally signed by
Rakesh Dewan
Date: 2023.06.26
19:42:48 +05'30'

Rakesh Dewan

Partner

Membership Number: 092212

Place: Gurugram, India

Date: 26 June 2023

**For and on behalf of the Board of Directors
of HCL Software Products Limited**

GOUTA
M
RUNGTA

Digitally signed by GOUTA M RUNGTA
DN: cn=GOUTA M RUNGTA, o=HCL SOFTWARE PRODUCTS LIMITED, ou=HCL SOFTWARE PRODUCTS LIMITED, email=gouta.m.rungta@hcl.com, c=IN

Goutam Rungta

Director

DIN: 08599656

RAMAS
WAMY
GANDHI

Digitally signed by RAMAS WAMY GANDHI
DN: cn=RAMAS WAMY GANDHI, o=HCL SOFTWARE PRODUCTS LIMITED, ou=HCL SOFTWARE PRODUCTS LIMITED, email=ramas.wamy.gandhi@hcl.com, c=IN

Ramaswamy Gandhi

Director

DIN: 09523432

Place: Noida(U.P.), India

Date: 26 June 2023

HCL Software Products Limited

Notes to financial statements for the year ended 31 March 2023

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

Company Overview

HCL Software Products Limited hereinafter referred to as the 'Company' was incorporated under the provisions of the Companies Act applicable in India in the month of June, 1995, having its registered office at 806, Siddharth, 96, Nehru Place, New Delhi- 110019. During the financial year 2019-20, name of the company changed from HCL Global Processing Services Limited to HCL Software Products Limited. The Company is primarily engaged in providing a range of business process outsourcing services and software products & IP-led offering. The Company has a branch in United States of America from where the HCL software services are rendered. The immediate holding company is HCL Bermuda Limited.

The financial statements for the year ended 31 March, 2023 were approved and authorized for issue by the Board of Directors on 26 June 2023.

1. Significant accounting policies

a) Basis of preparation

The financial statements of the company has 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.

These financial statements have been prepared under the historical cost convention on an accrual and going concern basis except for the following assets and liabilities which have been measured at fair value:

- a) Certain financial assets and liabilities (refer accounting policy regarding financial instruments),
- b) Defined benefit plans

The results of the Company include its United States of America branch results. The principal activities of the branch are to provide HCL software services.

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. Actual results could differ from those estimates. Changes in estimates are reflected in the consolidated financial statements in the year in which the changes are made.

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

- Accounting for costs expected to be incurred to complete performance under fixed price projects and determination of stand-alone selling prices for each distinct performance obligation in respect of proprietary software products, refer note 1(h)
- Recognition of income and deferred taxes, refer note 1(i) and note 2.20

HCL Software Products Limited

Notes to financial statements for the year ended 31 March 2023

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

- Key actuarial assumptions for measurement of future obligations under employee benefit plans, refer note 1(j) and note 2.25
- Key assumptions used for impairment of goodwill, refer note 1(c) and note 2.2
- Provisions and contingent liabilities, refer note 1(m) and note 2.27

c) Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is the aggregate of the consideration transferred measured at fair value at the acquisition date and the amount of any non-controlling interest in the acquiree. For each business combination, the company measures the non-controlling interest in the acquiree at fair value. Acquisition related costs are expensed as incurred.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the excess is recognized as capital reserve after reassessing the fair values of the net assets.

d) 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 currency at exchange rates in effect at the balance sheet date. Exchange differences arising on settlement or translation of monetary items are recognized in the statement of profit and loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of the initial transaction. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined.

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

The translation of foreign operations from respective functional currency into INR (the reporting currency) for assets and liabilities is performed using the exchange rates in effect at the balance sheet date, and for revenue, expenses and cash flows is performed using an appropriate daily weighted average exchange rate for the respective years.

e) 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 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:

HCL Software Products Limited

Notes to financial statements for the year ended 31 March 2023

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

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.

f) 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.

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

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

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

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

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	4-5

The useful lives as given above best represent the period over which 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 to the Companies Act 2013.

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

HCL Software Products Limited

Notes to financial statements for the year ended 31 March 2023

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

g) Impairment of non-financial assets

Goodwill

Goodwill is tested annually on March 31, for impairment, or sooner whenever there is an indication that goodwill may be impaired, relying on a number of factors including operating results, business plans and future cash flows. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the company's cash generating units (CGU) expected to benefit from the synergies arising from the business combination. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Impairment occurs when the carrying amount of a CGU including the goodwill, exceeds the estimated recoverable amount of the CGU. The recoverable amount of a CGU is the higher of its fair value less cost to sell and its value-in-use. Value-in-use is the present value of future cash flows expected to be derived from the CGU. Total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU, pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill recognized in the statement of profit and loss is not reversed in the subsequent period.

h) Revenue recognition

Income from services

Income from business process outsourcing services is mainly from debt collection, which is accounted based on the agreed rates on collections made for the customer. Revenue is recognized as the related services are performed in accordance with the specific terms of the contracts with the customers.

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

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

Revenue from distinct proprietary perpetual license software is recognized at a point in time at the inception of the arrangement when control transfers to the client. Revenue from proprietary term license software is recognized at a point in time for the committed term of the contract. 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 one year of support and subscription either for perpetual or term based license, such support and subscription contracts are generally priced as a percentage of the net fees paid by the customer to purchase the license and are generally recognized as revenues ratably over the contractual period that the support services are provided.

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

HCL Software Products Limited

Notes to financial statements for the year ended 31 March 2023

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

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.

Interest 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.

i) Income taxes

Income tax expense comprises current and deferred income tax.

Income tax expense is recognized in the statement of profit and loss. 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 related interest and penalties.

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. For this purpose, reversal of timing differences is determined using first-in-first-out method.

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

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

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

Current income tax payable by overseas branches of the Company is computed in accordance with the tax laws applicable in the jurisdiction in which the respective branch operates. The taxes paid are generally available for set off against the Indian income tax liability of the Company's worldwide income.

j) Retirement and other employee benefits

- i. Contributions to provident fund, a defined benefit plan, are deposited with Recognized Provident Fund Trusts, set up by the ultimate holding Company. The liability is actuarially determined at the end of the year. Actuarial losses/ gains are recognized in the statement of profit and loss in the year in which they arise. The minimum interest rate payable by the Trust to the beneficiaries every year is notified by the Government and the Company has an obligation to make good the shortfall, if any, between the return from the investments of the Trust and the notified interest rate.
- ii. Gratuity liability: The Company provides for gratuity, a defined benefit plan (the "Gratuity Plan") covering eligible employees. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's base salary and the tenure of employment (subject to 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.

HCL Software Products Limited

Notes to financial statements for the year ended 31 March 2023

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

- 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 Company's contribution to State Plans, a defined contribution plan namely Employee State Insurance Fund and Employees Pension Scheme are charged to the statement of profit and loss.
- v. Certain overseas branches of the Company also provide for retirement benefit pension plans in accordance with the local laws.

k) Equity settled share based compensation

Share-based compensation represents the cost related to share-based awards granted to employees. The Company measures share-based compensation cost at grant date, based on the estimated fair value of the award and recognizes the cost on a straight line basis (net of estimated forfeitures) over the employee's requisite service period for an award with only service condition and for an award with both service and performance condition on a straight line basis over the requisite service period for each separately vesting portion of the award, as if award was in substance, multiple awards. The Company estimates the fair value of stock options using option pricing model. The cost is recorded under the head employee benefit expense in the statement of profit or loss with corresponding increase in "Share Based Payment Reserve".

l) 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

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 other income in the statement of profit and loss. This category includes cash and cash equivalent and other bank balances, trade and other receivables.

HCL Software Products Limited

Notes to financial statements for the year ended 31 March 2023

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

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.

ii. Financial liabilities

All financial liabilities are recognized initially at fair value.

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

After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest rate (EIR) method. Gains and losses are recognized in the statement of profit and loss when the liabilities are derecognized as well as through the EIR amortization process.

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

Derecognition

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

m) Earnings per share

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

Diluted earnings per share are computed by dividing the net profit after tax by the weighted average number of equity shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares.

HCL Software Products Limited

Notes to financial statements for the year ended 31 March 2023

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

n) Provisions and contingent liabilities

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

The company uses significant judgement to disclose contingent liabilities. Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount cannot be made. Contingent assets are neither recognized nor disclosed in the financial statements.

o) 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements.

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

2.1 Property, plant and equipment

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

	Computers
Gross block as at 1 April 2022	4
Additions	60
Disposals	-
Gross block as at 31 March 2023	64
Accumulated depreciation as at 1 April 2022	1
Charge for the year	6
Deduction	-
Accumulated depreciation as at 31 March 2023	7
Net block as at 31 March 2023	57

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

	Computers
Gross block as at 1 April 2021	-
Additions	4
Disposals	-
Gross block as at 31 March 2022	4
Accumulated depreciation as at 1 April 2021	-
Charge for the year	1
Deduction	-
Accumulated depreciation as at 31 March 2022	1
Net block as at 31 March 2022	3

2.2 Goodwill

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

	Goodwill
Opening balance as at 1 April 2021	119
Translation exchange difference	5
Closing balance as at 31 March 2022	124
Opening balance as at 1 April 2022	124
Translation exchange difference	10
Closing balance as at 31 March 2023	134

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the cash generating unit (CGU) "HCL Software", which benefit from the synergies of the acquisition.

Goodwill is tested annually on 31 March for impairment, or sooner whenever there is an indication that goodwill may be impaired. Impairment is recognized, when the carrying amount of a cash generating units (CGU) including the goodwill, exceeds the estimated recoverable amount of the CGU. The estimated value-in-use of this CGU is based on the future cash flow forecasts for 5 years on the basis of certain assumptions which include revenue growth, earnings before interest and taxes, taxes, capital outflow and working capital requirement. The assumptions are taken on the basis of past trends and management estimates and judgement. Future cash flows are discounted with "Weighted Average Cost of Capital". The key assumptions are as follows:

	As at	
	31 March 2023	31 March 2022
Revenue growth rate (average of next 5 years)(%)	2.0 to 3.0	5.10
Terminal revenue growth rate (%)	3.00	1.00
Pre tax Discount rate (%)	12.74	11.11

As at 31 March 2023 and 31 March 2022, the estimated recoverable amount of the CGU exceeded its carrying amount and accordingly, no impairment was recognized. An analysis of the sensitivity of the computation to a change in key assumptions based on reasonable probability did not identify any probable scenario in which the recoverable amount of the CGU would decrease below its carrying amount.

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

	As at	
	31 March 2023	31 March 2022
Current		
Unquoted Investments		
Carried at fair value through profit and loss		
Investment in mutual funds	13,547	6,662
Total investments- financial assets	13,547	6,662
Total investments- financial assets	13,547	6,662
Aggregate amount of unquoted investments	13,547	6,662

	As at	
	31 March 2023	31 March 2022
Unsecured, considered good unless otherwise stated		
Capital advances	-	10
Prepaid expenses	6	42
	6	52

	As at	
	31 March 2023	31 March 2022
Billed		
Unsecured considered good (Refer note below)	3,339	20,228
Impairment allowance for bad and doubtful debts	(93)	-
	3,246	20,228
Unbilled receivables (Refer note below)	25,138	16
	28,384	20,244

[illegible][illegible]

HCL Software Products Limited

Notes to financial statements for the year ended 31 March 2023

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

2.6 Cash and cash equivalents

	As at	
	31 March 2023	31 March 2022
Cash and cash equivalents		
Balance with banks	16,029	10,606
	16,029	10,606

2.7 Financial Assets - Loans

	As at	
	31 March 2023	31 March 2022
Current		
Carried at amortized cost		
Unsecured , considered good		
Loans to fellow subsidiary (refer note below and note 2.23(d))	2,490	300
	2,490	300

Note: Company has given loan to its fellow subsidiary to meet the working capital requirement.

2.8 Other financial assets

	As at	
	31 March 2023	31 March 2022
Current		
Carried at amortized cost		
Interest receivable-related party (refer note 2.23(d))	14	2
Other receivables	-	4,111
Other receivables-related party (refer note 2.23(d))	1,536	3,223
	1,550	7,336

2.9 Other current assets

	As at	
	31 March 2023	31 March 2022
Unsecured , considered good		
Advances other than capital advances		
Security deposits	43	30
Advances to suppliers	29	9
Others		
Deferred contract cost-related party (refer note 2.23(d))	3,938	-
Goods & service tax receivable	745	362
Prepaid expenses	810	696
Other advances	20	23
	5,585	1,120
Unsecured , considered doubtful		
Advances other than capital advances		
Advances to employees	33	32
Less: Provision for doubtful advances	(33)	(32)
	-	-
	5,585	1,120

HCL Software Products Limited**Notes to financial statements for the year ended 31 March 2023**

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

2.10 Share Capital

	As at	
	31 March 2023	31 March 2022
Authorized 1,000,000 (31 March 2022, 1,000,000) equity shares of ₹ 10 each	100	100
Issued, subscribed and fully paid up 106,070 (31 March 2022, 106,070) equity shares ₹ 10 each	11	11

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/-. 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 financial year

	As at			
	31 March 2023		31 March 2022	
	No. of shares	₹ in lakhs	No. of shares	₹ in lakhs
Number of shares at the beginning	106,070	11	106,070	11
Number of shares at the end	106,070	11	106,070	11

Equity shares held by holding company

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
HCL Bermuda Limited, the holding company Equity shares of ₹ 10 each fully paid up	106,070	100%	106,070	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
Equity shares of ₹ 10 each fully paid HCL Bermuda Limited	106,070	100%	106,070	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 current and previous year.

HCL Software Products Limited
Notes to financial statements for the year ended 31 March 2023

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

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 are generally met through operating cash flows generated.

2.11 Provisions

	As at	
	31 March 2023	31 March 2022
Non - current		
Provision for employee benefits		
Provision for gratuity (refer note 2.25)	4	5
Provision for leave benefits	2	1
	6	6
Current		
Provision for employee benefits		
Provision for gratuity (refer note 2.25)	2	2
Provision for leave benefits	2,604	2,634
	2,606	2,636

2.12 Trade payables

	As at	
	31 March 2023	31 March 2022
Trade payables	608	528
Trade payables-related parties (refer note 2.23(d))	4,515	9
	5,123	537
Unbilled and accruals	2,503	570
Unbilled and accruals-related party (refer note 2.23(d))	459	276
	8,085	1,383

Particulars	Not Due	Outstanding as at 31 March 2023 from the due date of payment				
		Less than 1 year	1-2 year	2-3 years	More than 3 years	Total
Others	512	4,611	-	-	-	5,123
						5,123
Unbilled and accruals						2,962
						8,085

Particulars	Not Due	Outstanding as at 31 March 2022 from the due date of payment				
		Less than 1 year	1-2 year	2-3 years	More than 3 years	Total
Others	423	111	-	-	3	537
						537
Unbilled and accruals						846
						1,383

2.13 Other financial liabilities

	As at	
	31 March 2023	31 March 2022
Non-current		
Carried at amortized cost		
Accrued salaries and benefits		
Other employee costs	27	-
Others		
Other payables-related parties (refer note below and 2.23(d))	1,177	-
	1,204	-

Note: Amount payable to HCL Technologies Limited againts RSUs awarded to employees of the Company.

HCL Software Products Limited
Notes to financial statements for the year ended 31 March 2023

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

2.13 Other financial liabilities (continued)

	As at	
	31 March 2023	31 March 2022
Current		
Carried at amortized cost		
Accrued salaries and benefits		
Employee bonuses accrued	13,695	13,609
Other employee costs	3,365	4,198
Others		
Capital accounts payables	2	-
Other payables	-	-
Other payables-related parties (refer note 2.23(d))	-	7,001
	17,061	24,808

2.14 Other current liabilities

	As at	
	31 March 2023	31 March 2022
Other Advances		
Advances received from customers	73	-
Withholding and other taxes payable	199	1,442
	272	1,442

2.15 Revenue from operations

	Year ended	
	31 March 2023	31 March 2022
Sale of services	204,458	188,401
	204,458	188,401

Remaining performance obligations

Remaining performance obligations are subject to variability due to several factors such as terminations, changes in scope of contracts, periodic revaluations 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 obligation as per the requirements of Ind AS 115 was INR 126,836 lakhs (31 March 2022, 203 lakhs) out of which, approximately 56% (31 March 2022, 57%) is expected to be recognized as revenues within one year and the balance beyond 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.

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

The below table discloses the significant movement in contract liabilities :

	Year Ended	Year Ended
	31 March 2023	31 March 2022
Balance as at the beginning of the year	-	-
Additional amounts billed but not recognized as revenue	1,971	-
Adjustment during the year	1,784	-
Deduction on account of revenues recognized during the year	(1,091)	-
Balance as at the end of the year	2,664	-

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

The below table discloses the significant movement in deferred contract cost :

	Year Ended	Year Ended
	31 March 2023	31 March 2022
Balance as at the beginning of the year	-	-
Additional cost capitalised during the year	3,938	-
Adjustment during the year	4,822	-
Deduction on account of cost amortised during the year	(4,822)	-
Balance as at the end of the year	3,938	-

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

	Year Ended	Year Ended
	31 March 2023	31 March 2022
Contracted price	204,458	188,401
Reduction towards variable consideration	-	-
Balance as at 31 March 2023	204,458	188,401

HCL Software Products Limited**Notes to financial statements for the year ended 31 March 2023**

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

2.16 Other income

	Year ended	
	31 March 2023	31 March 2022
Interest income		
on loan to related party	143	31
on income tax refund	408	-
Income on investments carried at fair value through profit and loss		
Unrealized gains/(loss) on fair value changes on mutual funds	270	(21)
Profit on sale of mutual funds	378	278
Exchange differences (net)	-	89
Miscellaneous income	98	-
Provision no longer required written back	-	5
	1,297	382

2.17 Employee benefits expense

	Year ended	
	31 March 2023	31 March 2022
Salaries, wages and bonus	155,012	156,849
Contribution to provident fund and other employee funds	4,724	4,160
Staff welfare expenses	121	63
Share based payments to employees (Refer note below)	902	268
	160,759	161,340

Note: During the year ended 31 March 2022, HCL Technologies Limited ("HCLT"), the ultimate Parent Company instituted the Restricted Stock Unit Plan 2021 ("RSU Plan") to provide equity-based incentives to all eligible employees of HCLT and its subsidiaries. Each RSU granted under the plan entitles the holder to one equity share of HCLT at an exercise price, which is approved by the Nomination and Remuneration Committee of HCLT.

"Share based payment expense" represents reimbursement of cost to HCLT, towards RSUs granted by HCLT to the employees of the Company. The fair value of these RSUs are determined using the Black-Scholes Model for RSUs with time and non-market performance-based vesting conditions and Monte Carlo simulation model is used for RSUs with market performance based vesting conditions.

2.18 Finance cost

	Year ended	
	31 March 2023	31 March 2022
Bank charges	-	8
Interest on direct taxes	9	-
	9	8

2.19 Other expenses

	Year ended	
	31 March 2023	31 March 2022
Rent	4,543	4,572
Power and fuel	-	1
Repairs and maintenance - building	-	6
Exchange differences(net)	1,720	-
Communication cost	46	50
Recruitment, training and development	561	223
Travel and conveyance	3,258	649
Legal and professional charges	149	62
Rates and taxes	776	14
Provision for doubtful advances / advances written off	-	5
Provision for Doubtful debts	52	-
Expenditure toward corporate social responsibility activities (refer note 2.30)	8	7
Marketing expenses	5,246	368
Miscellaneous expenses (refer note below)	335	267
	16,694	6,223

Note: During the year ended 31 March 2023, the Company has bifurcated the miscellaneous expenses into marketing expenses and miscellaneous expenses separately for better presentation. Comparative amount in the notes to the financial statements was also reclassified for consistency.

HCL Software Products Limited
Notes to financial statements for the year ended 31 March 2023

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

2.20 Income taxes

	Year ended	
	31 March 2023	31 March 2022
Income tax charged to statement of profit and loss		
Current income tax charge	5,522	3,845
Deferred tax charge	1,242	2,420
	6,764	6,265
Income tax charged to other comprehensive income		
Expense on re-measurements of defined benefit plans	1	-
	1	-

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 before income tax	17,339	17,572
Statutory tax rate in India	25.17%	25.17%
Expected tax expense	4,364	4,423
Permanent difference	478	20
Difference between Indian and foreign tax rates	1,990	2,067
Reversal of prior year provision	(68)	(382)
Others	-	137
Total tax expense	6,764	6,265
Effective income tax rate	39%	36%

The Company has an ongoing litigation with tax authorities that arises in the ordinary course of business. The possibility of any outflow in settlement of litigation is remote.

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

	Opening balance	Recognized in profit and loss	Recognised in / reclassified from OCI	Exchange Difference	Closing balance
Deferred tax assets					
Provision for doubtful debts	2	-	-	-	2
Accrued employee costs	6,886	(1,291)	-	555	6,150
Others	445	519	5	45	1,014
Gross deferred tax assets (A)	7,333	(772)	5	600	7,166
Deferred tax liabilities					
Unrealized gain on mutual funds	4	68	-	-	72
Undistributed profit of branches	5,548	402	-	473	6,423
Gross deferred tax liabilities (B)	5,552	470	-	473	6,495
Net deferred tax asset/(liability) (A-B)	1,781	(1,242)	5	127	671

HCL Software Products Limited

Notes to financial statements for the year ended 31 March 2023

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

2.20 Income taxes (continued.)

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

	Opening balance	Recognized in profit and loss	Recognised in / reclassified from OCI	Exchange Difference	Closing balance
Deferred tax assets					
Provision for doubtful debts	10	(8)	-	-	2
Accrued employee costs	7,667	(910)	-	129	6,886
Others	-	436	-	9	445
Gross deferred tax assets (A)	7,677	(482)	-	138	7,333
Deferred tax liabilities					
Unrealized gain on mutual funds	9	(5)	-	-	4
Undistributed profit of branches	3,501	1,943	-	104	5,548
Gross deferred tax liabilities (B)	3,510	1,938	-	104	5,552
Net deferred tax asset/(liability) (A-B)	4,167	(2,420)	-	34	1,781

2.21 Earnings per share

	Year ended	
	31 March 2023	31 March 2022
Net profit as per statement of profit and loss for computation of EPS	10,575	11,307
Weighted average number of shares outstanding in calculating basic EPS	106,070	106,070
Weighted average number of shares outstanding in calculating dilutive EPS	106,070	106,070
Nominal value of equity shares in ₹	10	10
Earnings per equity share (in ₹)		
- Basic	9,969.83	10,659.94
- Diluted	9,969.83	10,659.94

2.22 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	Amortized	Total
Financial assets			
Investments	13,547	-	13,547
Trade receivables-billed & unbilled	-	28,384	28,384
Cash and cash equivalents	-	16,029	16,029
Loans	-	2,490	2,490
Others (refer note 2.8)	-	1,550	1,550
Total	13,547	48,453	62,001
Financial liabilities			
Trade payables (including unbilled and accruals)	-	8,085	8,085
Others (refer note 2.13)	-	18,265	18,265
Total	-	26,349	26,349

HCL Software Products Limited**Notes to financial statements for the year ended 31 March 2023**

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

2.22 Financial instruments (continued)**(a) Financial assets and liabilities**

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
Financial assets			
Investments	6,662	-	6,662
Trade receivables-billed & unbilled	-	20,244	20,244
Cash and cash equivalents	-	10,606	10,606
Loans	-	300	300
Others (refer note 2.8)	-	7,336	7,336
Total	6,662	38,486	45,148
Financial liabilities			
Trade payables (including unbilled and accruals)	-	1,383	1,383
Others (refer note 2.13)	-	24,808	24,808
Total	-	26,191	26,191

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
Assets				
Investments carried at fair value through profit and loss	13,547	13,547	-	-

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

The assets and liabilities measured at fair value on a recurring basis as at 31 March, 2022 and the basis for that measurement is as below:

	Fair value	Level 1 inputs	Level 2 inputs	Level 3 inputs
Assets				
Investments carried at fair value through profit and loss	6,662	6,662	-	-

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

Valuation methodologies

Investments: The Company's investments consist of investment in debt linked mutual funds which 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, trade receivables, unbilled receivable, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

(b) Financial risk management

The Company is exposed to market risk, credit risk and liquidity risk which may impact the fair value of its financial instruments. The Company through various risk management procedures, manages & mitigate these risks.

The Company's risk management procedures 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.

HCL Software Products Limited**Notes to financial statements for the year ended 31 March 2023**

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

2.22 Financial instruments (continued)**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. 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 Company does not have any material foreign currency transaction and balances with its customers.

Foreign currency exposure as of 31 March 2023 and 31 March 2022 is as below:

	Financial assets		Financial liabilities	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
AUD / INR	-	59	19	2
USD / INR	-	-	3,748	-

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 and investment securities. The cash resources of the Company are invested with mutual funds and banks after an evaluation of the credit risk. By their nature, all such financial instruments involve risks, including the credit risk of non-performance by counterparties.

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

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

2.23 Related party disclosures**a) Related parties where control exists**

- Holding company:
HCL Bermuda Limited
- Ultimate holding company:
HCL Technologies Limited

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

- Ultimate holding company:
HCL Technologies Limited
- Fellow Subsidiary:
HCL America Inc.
- Fellow Subsidiary:
HCL Comnet Systems and Services Limited
- Fellow Subsidiary:
HCL Training and Staffing Services Private Limited
- Fellow Subsidiary:
HCL Australia Services Pty. Limited
- Significant Influence:
HCL Avitas Private Limited

c) Transactions with related parties during the year in the ordinary course of business

	Ultimate Holding Company		Fellow Subsidiaries		Significant Influence	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022	31 March 2023	31 March 2022
Revenue from operations	193,615	187,603	237	295	-	-
Interest Income	-	-	143	31	-	-
Reimbursement of expenses	-	-	1,762	643	-	-
Payment for use of facilities	2	16	4,541	4,555	-	-
Proceeds from loans extended to subsidiaries	-	-	-	200	-	-
Loan given	2,190	-	-	-	-	-
Outsourcing cost	9,720	-	9	10	-	-
Other Expenses(refer below note)	-	2	-	-	-	-

Note: Other expenses include salary cost and repair & maintenance.

	Material related party transactions	
	Year ended 31 March 2023	Year ended 31 March 2022
Revenue from operations HCL Technologies Limited	193,615	187,603

d) Outstanding balances with related parties

	Ultimate Holding Company		Fellow Subsidiary		Significant Influence	
	As at		As at		As at	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022	31 March 2023	31 March 2022
Loans	-	-	2,490	300	-	-
Trade receivables, other financial assets and other assets	27,625	22,897	1,596	372	-	-
Trade payables, other financial liabilities and other liabilities	2,943	5,075	3,209	2,210	-	-
Material Outstanding balances			Year ended 31 March 2023		Year ended 31 March 2022	
Other payables HCL America INC.				-		-
Trade receivables, other financial assets and other assets HCL Technologies Limited				27,625		-
Trade receivables HCL Technologies Limited				-		-

HCL Software Products Limited

Notes to financial statements for the year ended 31 March 2023

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

2.24 Segment reporting

Operating segments are defined as components of an enterprise for which discrete financial information is available and whose results are reviewed regularly by the chief operating decision maker (CODM), for allocation of resources and assess performance.

The Company has organized itself into the following segments:

IT and Business Services provide a comprehensive portfolio of IT & Business Services (Application, Infrastructure and Digital Process Operations) and Digital transformation services enabled by Digital and Analytics, IoTWoRKs, Cloud native and Cybersecurity solutions including products developed within these businesses.

HCL Software provides modernized software products and IP-led offerings to our global clients for their technology and industry specific requirements.

During the year ended 31 March 2023, the Company has changed the name of "Products & Platforms" segment to "HCL Software".

Segment accounting policies

The accounting principles used in the preparation of the financial statements are consistently applied to record revenue and expenditure in individual segments and are as set out in note 1 to the financial statements on significant accounting policies. The accounting policies in relation to segment accounting are as under:

a) Segment revenue and expenses

Segment revenue is directly attributable to the segment and segment expenses have been allocated to various segments on the basis of specific identification. However, segment revenue does not include other income. Segment expenses do not include finance cost, exchange differences and tax expense.

b) Segment assets and liabilities

Assets and liabilities are not identified to any reportable segments, since these are used interchangeably across segments and consequently, the management believes that it is not practicable or meaningful to provide segment disclosures relating to total assets and liabilities.

HCL Software Products Limited**Notes to financial statements for the year ended 31 March 2023**

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

2.24 Segment reporting (continued)

Financial information about the business segments for the year ended 31 March 2023 is as follows:

	IT and Business Services	HCL Software*	Total
Segment revenues	266	204,193	204,458
Net revenue of operations from external customers	266	204,193	204,458
Segment results	94	17,676	17,770
Finance cost			(9)
Exchange difference			(1,720)
Other income			1,298
Profit before tax			17,339
Tax expense			(6,764)
Profit for the year			10,575
Significant non-cash items			
Depreciation			6
Provision for doubtful debts / bad debts written off			-

*During the year ended 31 March 2023, the company has changed the name of "Products and Platforms" segment to "HCL Software".

Financial information about the business segments for the year ended 31 March 2022 is as follows:

	IT and Business Services	HCL Software	Total
Segment revenues	393	188,008	188,401
Net revenue of operations from external customers	393	188,008	188,401
Segment results	190	17,008	17,198
Finance cost			(8)
Exchange difference			89
Other income			293
Profit before tax			17,572
Tax expense			(6,265)
Profit for the year			11,307
Significant non-cash items			
Depreciation and amortization			1
Provision for doubtful debts / bad debts written off			5

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

	Year ended	
	31 March 2023	31 March 2022
India	204,193	188,008
Australia	266	393
	204,458	188,401

HCL Technologies Limited represents 10% or more of the company's total revenue for the years ended 31 March 2023 and 31 March 2022, respectively.

Company operates out of USA, India & Australia. In case of Business process outsourcing services approximately 100% of revenues are generated in Australia during year ended 31 March 2023 and 2022 respectively. HCL software segment generates revenue from India and USA during the year ended 31 March 2023 and 2022 respectively.

Geographical non-current assets based on the location of the assets is as follows:

	Year ended	
	31 March 2023	31 March 2022
India	58	-
USA	809	1,960
	868	1,960

HCL Software Products Limited**Notes to financial statements for the year ended 31 March 2023**

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

2.25 Employee benefits**A. Defined contribution plans and state plans**

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

Employer's contribution to Employee State Insurance

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	2	2
Total	2	2

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	1	1
Interest cost	1	-
Net benefit expense	2	1

Balance sheet

	Year ended	
	31 March 2023	31 March 2022
Defined benefit obligation	6	7
Fair value of plan assets	-	-
Net plan liability	6	7
Current defined benefit obligation	2	2
Non-current defined benefit obligation	4	5

HCL Software Products Limited**Notes to financial statements for the year ended 31 March 2023**

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

2.25 Employee benefits (continued)**Changes in present value of defined benefit obligation**

	Year ended	
	31 March 2023	31 March 2022
Opening defined benefit obligations	7	6
Current service cost	1	1
Interest cost	1	-
Re-measurement gains/(losses) in OCI		
Actuarial changes arising from changes in demographic assumptions	-	-
Actuarial changes arising from changes in financial assumptions	(1)	-
Experience adjustments	-	-
Benefits paid	(2)	-
Closing defined benefit obligations	6	7

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

	Year ended	
	31 March 2023	31 March 2022
Discount rate	7.4%	5.5%
Estimated rate of salary increase	6.5%	8.0%
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	(0.15)	(0.17)	0.15	0.17
Impact of decrease	0.15	0.18	(0.15)	(0.16)

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.

The defined benefit obligations are expected to mature after 31 March 2023 as follows:-

Year ending 31 March,	Cash flows
- 2024	2
- 2025	1
- 2026	1
- 2027	1
- 2028	1
- Thereafter	16

The weighted average duration of these cash flows is 5.09 years.

HCL Software Products Limited**Notes to financial statements for the year ended 31 March 2023**

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

2.25 Employee benefits (continued)**Employer's contribution to provident fund**

The Company contributes to Hindustan Instruments Limited EPF Trust, which is maintained by ultimate holding company HCL Technologies Limited. The disclosure of plan assets cannot be provided as the plan assets are not attributable to its participants. The actuary has accordingly provided a valuation and based on the assumption mentioned below there is no shortfall as at 31 March 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	7.4%	6.8%
Remaining term of maturity	7.51 years	7.60 years
Expected guaranteed interest rate	8.15%	8.5%

During the year ended 31 March 2023, the Company has contributed ₹ 1 lakhs (31 March 2022, ₹ 1 lakhs) towards employer's contribution to provident fund.

2.26 Payment to auditors

	Year ended	
	31 March 2023	31 March 2022
As auditors		
Statutory audit fee	36	45
Tax audit fee	2	1
	38	46

2.27 Commitments and contingent liabilities

	As at	
	31 March 2023	31 March 2022
Capital Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	16	-
	16	-

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 notified. 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 notified.

HCL Software Products Limited**Notes to financial statements for the year ended 31 March 2023**

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

2.28 Ratio

Ratio	Numerator	Denominator	Units	Year ended		% Variance
				31 March 2023	31 March 2022	
Current ratio	Current assets	Current liabilities	Times	2.3	1.8	27.0%
Return on equity ratio	Profit for the year	Average Shareholders' Equity	%	32.3%	54.9%	-41.1%
Trade receivables turnover ratio	Net credit sales	Average account receivables	Times	8.4	3.0	180%
Trade payables turnover ratio	Net credit purchases (refer note 5 below)	Average Trade Payables	Times	5.8	3.27	79%
Net capital turnover ratio	Revenue from operations	Working capital (refer note below 6)	Times	5.2	7.7	-33%
Net profit ratio	Profit for the year	Net sales	%	5.2%	6.0%	-14%
Return on capital employed	Earning before interest and taxes	Capital employed (refer note 7 below)	%	45.2%	71.2%	-36%
Return on investment - Unquoted	Income generated from invested funds	Time weighted average investments	%	5.8%	3.4%	70.29%

Notes :

(1) Total debts consists of borrowings and lease liabilities

(2) Earning availables for debt services = Profit for the year + depreciation, amortisation and impairment + interest + loss on sale of property, plant and equipments + Provision for doubtful debts + share based payment to employees + non cash charges

(3) Debt service = Interest + payment for lease liabilities + principal repayments

(4) Cost of goods sold includes purchase of stock in trade and change in inventories of stock in trade

(5) Net credit purchase includes purchase of stock-in-trade , change in inventories of stock-in-trade, outsourcing costs and other expenses

(6) Working capital = current assets - current liabilities

(7) Capital employed = Tangible net worth includes acquired goodwill and other intangibles assets + total debt - 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%.**Current ratio**

Current ratio has increased due to investment in mutual fund and loan given to related party.

Return on equity, return on capital employed

Return on equity and return on capital employed has decreased due to dip in earning before interest and taxes.

Trade receivables turnover ratio

Trade receivable turnover ratio has increased due to higher sale in current year as compared to increase in trade receivable.

Trade payables turnover ratio

Trade payable turnover ratio has increased due to increase in trade payable during the year.

Net capital turnover ratio

Net capital turnover ratio increased due to increase in working capital.

Return on investment -Unquoted

Return on investment increase on account of better return on investment made during the year.

HCL Software Products Limited**Notes to financial statements for the year ended 31 March 2023**

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

2.29 Micro and small enterprises

As per information available with the management, the dues payable as at any time during the year ended 31 March 2023 to enterprises covered under “The Micro, Small and Medium Enterprises Development Act, 2006” is ₹ Nil (31 March 2022, ₹ Nil).

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

2.30 Corporate social responsibility

As required by Section 135 of the Companies Act, 2013, following shall be disclosed with regard to CSR activities:-

	Year ended	
	31 March 2023	31 March 2022
(i) amount required to be spent by the company during the year	8	7
(ii) amount of expenditure incurred		
a. Construction/acquisition of any assets	-	-
b. On purpose other than (a) above	8	7
(iii) shortfall at the end of the year	-	-
(iv) total of previous years shortfall	-	-
(v) reasons of shortfall	NA	NA
(vi) nature of CSR activities	Refer note below	
(vii) details of related party transactions, e.g., contribution to a trust controlled by the company in relation to CSR expenditure as per Accounting Standard,	NA	NA
(viii) where a provision is made with respect to a liability incurred by entering into a contractual obligation, the movements in the provision during the year shall be shown separately.	NA	NA

Note: CSR activities includes Promoting sustainable health, nutrition and hygiene interventions.

2.31 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 attached

For B S R & Co. LLP

Chartered Accountants

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

Rakesh Dewan

Digitally signed by Rakesh Dewan
Date: 2023.06.26 19:44:35
+05'30'

Rakesh Dewan

Partner

Membership Number: 092212

**For and on behalf of the Board of Directors
of HCL Software Products Limited**

GOUTAM
RUNGTA

Goutam Rungta

Director

DIN: 08599656

RAMASWA
MY GANDHI

Ramaswamy Gandhi

Director

DIN: 09523432

Place: Gurugram, India

Date: 26 June 2023

Place: Noida(U.P.), India

Date: 26 June 2023