

2nd September, 2020

To,

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| The General Manager Department of Corporate Relations BSE Limited Sir Phiroze Jeejeebhoy Towers Dalal Street Fort Mumbai 400 001 | The Vice President Listing Department The National Stock Exchange of India Limited Exchange Plaza Bandra Kurla Complex Bandra (East) Mumbai 400 051 |
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Sub: Annual Report – FY 2019-20

Ref: Regulation 34(1)(a) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Symbol: NSE : HCL-INSYS
BSE (For Physical Form): 179
BSE (For Demat Form) : 500179

Dear Sirs,

Pursuant to the provisions of regulation 30 and 34(1)(a) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we submit herewith the Annual Report for the Financial Year 2019-20 along with the notice convening the Thirty Fourth (34th) Annual General Meeting (AGM) of the members of HCL Infosystems Limited scheduled to be held on Tuesday, 29th September, 2020 at 10:00 AM through Video Conferencing (VC)/ Other Audio Video Means (OAVM) facility, without the physical presence of the Members at a common venue, in compliance with the applicable provisions of the Companies Act, 2013 and the Rules framed thereunder and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with General Circular Nos. 14/2020, 17/2020 and 20/2020 dated April 8, 2020, April 13, 2020 and May 5, 2020 respectively, issued by the Ministry of Corporate Affairs and circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated May 12, 2020 issued by the Securities and Exchange Board of India.

The Annual Report for the Financial Year 2019-20 is also available on the website of the Company at <https://www.hclinfosystems.com/investors/>.

This is for your information and records.

Yours Faithfully,

For HCL Infosystems Limited

Sushil Kumar Jain
Company Secretary & Compliance Officer

Encl: As Above

HCL INFOSYSTEMS LIMITED

CIN- L72200DL1986PLC023955

Registered Office: 806, Siddharth, 96, Nehru Place, New Delhi-110 019,

Corporate Office: E-4, Sector-11, Noida 201301 (U.P.)

Telephone: +91-120-2520977, 2526518, 2526519, Fax No.:+91-120-2523791

Website: www.hclinfosystems.com, Email: cosec@hcl.com

NOTICE

NOTICE is hereby given that the Thirty Fourth (34th) Annual General Meeting of the members of HCL Infosystems Limited will be held on Tuesday, 29th September, 2020 at 10:00 A.M. through Video Conferencing ("VC")/ Other Audio Visual Means ("OAVM") to transact the following businesses. The venue of the meeting shall be deemed to be the registered office of the Company at 806, Siddharth, 96, Nehru Place, New Delhi-110 019.

ORDINARY BUSINESS(S):

1. To receive, consider and adopt the audited standalone and consolidated financial statements of the Company for the financial year ended 31st March, 2020, including the audited Balance Sheet as at 31st March, 2020, the Statement of Profit and Loss for the year ended on that date and the Reports of the Board of Directors and Auditors thereon and in this regard, pass the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT the audited standalone and consolidated financial statements of the Company for the financial year ended 31st March, 2020 including the audited Balance Sheet as at 31st March, 2020, the Statement of Profit and Loss for the year ended on that date and the Reports of the Board of Directors and Auditors thereon be and are hereby received, approved, and adopted."

2. To appoint a Director in place of Mr. Dilip Kumar Srivastava (DIN 06847137), who retires by rotation and being eligible, offers himself for re-appointment and in this regard, pass the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT Mr. Dilip Kumar Srivastava (DIN 06847137) Director retiring by rotation, in accordance with the Articles of Association of the Company and being eligible for re-appointment be and is hereby re-appointed as Director of the Company, liable to retire by rotation."

SPECIAL BUSINESS (S):

3. **Re-appointment of Ms. Ritu Arora (DIN: 07019164) as an Independent Director**

To consider, and if thought fit, to pass, the following Resolution as a **Special Resolution(s)**:

"RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 ("Act") and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Act and Regulation 16(1)(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Ms. Ritu Arora (DIN: 07019164), Independent Director of the Company, who has submitted a declaration that she meets the criteria of independence as provided in Section 149(6) of the Act and Regulation 16 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time and who is eligible for reappointment, be and is hereby re-appointed as an Independent Director of the Company to hold office for another term of five consecutive years with effect from 6th April, 2020 till 5th April, 2025 and whose office shall not be liable to retire by rotation".

"RESOLVED FURTHER THAT any Director and/or the Company Secretary of the Company be and is hereby authorized to do all acts, deeds and things including filings and take steps as may be deemed necessary, proper or expedient to give effect to this resolution and matters incidental thereto".

4. **Authorization to sell certain properties held in the name of the Company**

To consider, and if thought fit, to pass, the following Resolution as a **Special Resolution(s)**:

"RESOLVED THAT pursuant to the provisions of Section 180(1)(a) and other applicable Sections of the Companies Act, 2013 read with Companies (Management and Administration) Rules 2014 (including any statutory modification or re-enactment thereof for the time being in force), the provisions of the Memorandum and Articles of Association of the Company and such other approvals, consents and permissions being obtained from the appropriate authorities to the extent applicable and necessary and also subject to approval given by the bankers of the Company, the approval of members of the Company be and is hereby accorded to sell the below mentioned properties held in the name of Company on such terms and conditions and in such manner as the Board may in its absolute discretion decide or as it may deem fit in the interest of the Company:

| S. No. | Location | Address | Category |
|--------|-------------|--|-------------|
| 1 | Noida | E-1,2,3,4,5,6,33,34,35,36,37,38, Sector 11, Noida, Gautham Budh Nagar, UP-201301 | Industrial |
| 2 | Mumbai | Gala no. 305, 306, C-wing, 3 rd floor, Boomerang, Chandivali, Andheri (E), Mumbai – 400072. | Commercial |
| 3 | Hyderabad | GF, FF & SF, Plot No. 44, HCL Towers Dwarkadas Colony, Chikoti Gardens, Begumpet, Hyderabad - 500 016 | Commercial |
| 4 | Mumbai | 3 rd Floor, Udyog Bhawan, Walchand Hirachand Marg, Ballard Estate, Mumbai 400001 | Commercial |
| 5 | Mumbai | Flat No. 202, Second Floor, Juhu Seashell, A.B. Nair Road, Juhu, Mumbai, Maharashtra-400049 | Residential |
| 6 | Mumbai | 603, 6 th Floor, Vishwashanti, Off J P Road, Rayalsavid Link Road, Opposite Nana-Nani Park, Seven Bungalow, Andheri (W) Mumbai, Maharashtra- 400058 | Residential |
| 7 | Pantnagar | Plot No. 1,2,27 & 28, Sector-5, IIE – Pantnagar, Distt U.S. Nagar, Uttarakhand, PIN-263145 | Industrial |
| 8 | Pondicherry | RS no. 107/5,6 & 7 & 108/9-15, Sedarapet main road, Sedarapet, Pondicherry – 605111 | Industrial |
| 9 | Mohali | Plot number, IT-C3, Sector-67, SAS Nagar Mohali-160062-Punjab | IT |
| 10 | Hyderabad | Plot No. 42-49, Hardware Park, Srisailam Highway, Village Kancha Imarat, Madal Mehshwaram, Distt. Rangareddy, Hyderabad, Telangana-500069 | IT |
| 11 | Pondicherry | SPL. A2 Situated In Industrial Estate, Thattanchanvadi, Pondicherry - 605009 | Industrial |
| 12 | Chennai | VB No. 25, 5 th Floor, Sekar Plaza, No. 29, First Main Road, United India Colony, Kodambakkam, Chennai-600024 | Residential |
| 13 | Chennai | D12 & D12-B SIDCO Ambattur Industrial Estate Chennai- 600058 | Industrial |
| 14 | Mumbai | 402, 4 th Floor, Manish Commercial Complex, Plot No 248(a), Dr. Annie Besant Road, Worli, Mumbai-400030 | Commercial |

“RESOLVED FURTHER THAT for the purpose of giving effect to the above, Mr. Kapil Kapur, CFO, Mr. V.K. Bahl, Vice President, Mr. Alok Sahu, Vice President and Mr. Sushil Kumar Jain, Company Secretary be and are hereby severally authorized to accept the offer, to convey the acceptance of the same to the proposed buyer, to sign and execute all agreements, deeds and documents, to take all necessary actions and to decide and settle all matters including negotiation, receipt of the payment from the buyer and payment of brokerage charges as may arise in this regard and to do all such acts as may be required in this regard without any further consent or approval of shareholders or otherwise to the intent that the members have given their approval thereto expressly by the authority of this resolution.”

5. Authorization to surrender Company’s Plot located at Plot No 1-9, Sunrise City IT Park, Anandapur, Nonadanga, Kolkata to IT Department Kolkata

To consider, and if thought fit, to pass, the following Resolution as a **Special Resolution(s)**:

“RESOLVED THAT pursuant to the provisions of Section 180(1)(a) and other applicable Sections of the Companies Act, 2013 read with Companies (Management and Administration) Rules 2014 (including any statutory modification or re-enactment thereof for the time being in force), the provisions of the Memorandum and Articles of Association of the Company and such other approvals, consents and permissions being obtained from the appropriate authorities to the extent applicable and necessary and also subject to approval given by the bankers of the Company, the approval of members of the Company be and is hereby accorded to surrender Company’s leasehold Plot located at Plot No 1-9, Sunrise City IT Park, Anandapur, Nonadanga, Kolkata to IT Department Kolkata on such terms and conditions and in such manner as the Board may in its absolute discretion decide or as it may deem fit in the interest of the Company.”

“RESOLVED FURTHER THAT for the purpose of giving effect to the above Mr. Kapil Kapur, CFO, Mr. V.K. Bahl, Vice President, Mr. Alok Sahu Vice President and Mr. Sushil Kumar Jain, Company Secretary be and are hereby severally authorized to convey the same to the IT department of Kolkata, to sign and execute all agreements, deeds and documents, to collect payment from IT department Kolkata, to take all necessary actions and to decide and settle all matters as may arise in this regard.”

6. Amendment of the Employee Stock Option Scheme 2000 (Scheme 2000) and Employee Stock Based Compensation Plan 2005 (Scheme 2005) by inserting the "Amendment and Termination clause"

To consider, and if thought fit, to pass, the following Resolution as a **Special Resolution(s)**:

"RESOLVED THAT, pursuant to the provisions of Companies Act, 2013, SEBI (Share Based Employee Benefit) Regulations, 2014 and provisions contained in the Memorandum of Association and the Articles of Association of the Company, such other rules, regulations, notifications, guidelines and laws applicable in this regard approval of members of the Company be and is hereby accorded to amend the Employee Stock Option Scheme 2000 (Scheme 2000) and Employee Stock Based Compensation Plan 2005 (Scheme 2005) by inserting the following "Amendment and Termination clause:

Amendment and Termination of Scheme:

"The Board of Directors in its absolute discretion from time to time can amend, alter or terminate the Scheme or any Grant on the terms and conditions thereof provided, that no amendment, alteration and termination in any Grant previously made may be carried out, to the extent possible, which would impair or prejudice the rights of the Employee without the consent of the concerned Employee.

Further, under the SEBI Guidelines, the Company may by special resolution in a general meeting vary the terms of the ESOP offered pursuant to an earlier resolution of the shareholders but not yet Exercised by the employee provided that it is not prejudicial to the interest of the option holders."

"RESOLVED FURTHER THAT Mr. Kapil Kapur, CFO and/or Mr. Sushil Kumar Jain, Company Secretary of the Company be and are hereby severally authorized to take all necessary actions in this regard including taking decision in relation to the process of amendment and termination of the Schemes."

**By Order of the Board
For HCL Infosystems Limited**

**Sd/-
Sushil Kumar Jain
Company Secretary
ACS No 8917**

**Date: 6th August, 2020
Place: Noida**

Notes:

1. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 ("the Act") setting out material facts concerning the business under Item Nos. 3 to 6 of the accompanying Notice, is annexed hereto. The Board of Directors of the Company at its meeting held on 6th August, 2020 considered that the special business under Item Nos. 3 to 6, being considered unavoidable, be transacted at the 34th AGM of the Company.
2. In view of the outbreak of the COVID-19 pandemic, social distancing norm to be followed and the continuing restriction on movement of persons at several places in the country and pursuant to General Circular Nos. 14/2020, 17/2020 and 20/2020 dated 8th April 2020, 13th April 2020 and 5th May 2020, respectively, issued by the Ministry of Corporate Affairs ("MCA Circulars") and Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated 12th May 2020 issued by the Securities and Exchange Board of India ("SEBI Circular") and in compliance with the provisions of the Act and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), the 34th AGM of the Company is being conducted through VC/OAVM Facility, which does not require physical presence of members at a common venue. The deemed venue for the 34th AGM shall be the Registered Office of the Company.

The Company has appointed National Securities Depositories Limited ("NSDL"), who will be providing facility for remote e-voting, participation in the AGM through VC / OAVM and e-voting during the AGM.

3. In terms of the MCA Circulars since the physical attendance of Members has been dispensed with, there is no requirement of appointment of proxies. Accordingly, the facility of appointment of proxies by Members under Section 105 of the Act will not be available for the 34th AGM. However, in pursuance of Section 112 and Section 113 of the Act, representatives of the Members may be appointed for the purpose of voting through remote e-Voting, for participation in the 34th AGM through VC/OAVM Facility and e-Voting during the 34th AGM.
4. Since the AGM will be held through VC/OAVM Facility, the Attendance slip, Proxy form and the Route Map are not annexed in this Notice.
5. Members may join the 34th AGM through VC/OAVM Facility by following the procedure as mentioned below which shall be kept open for the Members from 9:30 a.m. IST i.e. 30 minutes before the time scheduled to start the 34th AGM and the window for joining the VC/OAVM Facility will remain open till the closure of the meeting.
6. Attendance of the members participating in the 34th AGM through VC/OAVM Facility shall be counted for the purpose of reckoning the quorum under Section 103 of the Act.
7. The Register of Members and the Share Transfer Books of the Company shall remain closed from Thursday, 24th September, 2020 to Tuesday, 29th September, 2020 (both days inclusive) for the purpose of Annual General Meeting.
8. All correspondence with regard to share transfers/dividends and matters related therewith may directly be addressed to the Company's Registrar and Share Transfer Agent (RTA) at the address given below:

M/s. Alankit Assignments Limited

205-208, Anarkali Complex,

Jhanewalan Extension,

New Delhi-110055

Phone : 011-42541234, 011-23541234

Fax : 011-23552001

Email : rt@alankit.com

Website : www.alankit.com

9. Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company or the RTA. Members holding shares in physical form are also requested to quote their PAN details on the share transfer deed submitted for transfer of their shares.
10. In terms of the Listing Regulations, securities of listed companies can only be transferred in dematerialized form with effect from 1st April 2019. In view of the above, Members are advised to dematerialize shares held by them in physical form.
11. Members holding shares in physical form and desirous of making a nomination or cancellation/ variation in nomination already made in respect of their shareholding in the Company, as permitted under Section 72 of the Companies Act, 2013, are requested to submit to the RTA of the Company the prescribed Form SH-13 for nomination and Form SH-14 for cancellation/ variation as the case may be. Members holding shares in demat mode may contact their respective Depository Participant (DP) for availing this facility.
12. Pursuant to applicable provisions of Sections 124 and 125 of the Companies Act, 2013, as notified by the Ministry of Corporate affairs as on 5th September, 2016 read with Investor Education and Protection Fund Authority (Accounting,

Audit, Transfer and Refund) Rules 2016 as amended from time to time, the Company has transferred unpaid/ unclaimed dividend along with the Shares. There is no unpaid/unclaimed dividend pending for transfer to IEPF account.

13. In compliance with the provisions of section 108 of the Act read with Rule 20 of Companies (Management and Administration) Rules 2014 as amended vide Companies (Management and Administration) Amendment Rules 2015 w.e.f. 19th March 2015, and the regulation 44 of the SEBI (Listing Obligation and Disclosure Requirement) Regulations, 2015, the Members are provided with the facility to cast their vote electronically, through the Remote e-voting services provided by NSDL, on all resolutions to be transacted at the 34th AGM and facility for those members participating in the 34th AGM to cast vote through e-voting services during the 34th AGM.
14. The certificate from the Auditors of the Company certifying that the Employees Stock Option Schemes of the Company are being implemented in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and in accordance with the resolutions passed by members, shall be available for inspection during the AGM.
15. Members seeking any information with regard to the Accounts, are requested to write to the Company at an early date, so as to enable the Management to keep the information ready at the meeting.
16. The members of the Company had approved the appointment of M/s. BSR & Associates LLP, Chartered Accountants (FRN – 116231W/W- 100024), as the Statutory Auditors at the thirty first (31st) AGM of the Company till thirty sixth (36th) AGM of the Company. In accordance with, on 7th May, 2018 by the Ministry of Corporate Affairs, the requirement of ratification of appointment of Statutory Auditors by members at every AGM is no longer required.

DISPATCH OF ANNUAL REPORT THROUGH EMAIL AND REGISTRATION OF EMAIL IDs

17. In compliance with MCA Circular No. 20/2020 dated 5th May, 2020 and SEBI Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated 12th May 2020 and owing to the difficulties involved in dispatching of physical copies of the financial statements including Board's Report, Auditor's report or other documents required to be attached therewith (together referred to as Annual Report), the Annual Report for FY 2019-20 and Notice of AGM are being sent only in electronic mode to Members whose e-mail address is registered with the Company or the Depository Participant(s).
18. Members holding shares in physical mode and who have not updated their email addresses with the Company are requested to update their email addresses by writing to the Company's Registrar and Share Transfer Agent, M/s. Alankit Assignments Limited at info@alankit.com. Members are requested to submit request letter mentioning the Folio No. and Name of Shareholder along with scanned copy of the Share Certificate (front and back) and self-attested copy of PAN card for updation of email address. Members holding shares in dematerialized mode are requested to register / update their email addresses with their Depository Participants.
19. In line with the MCA Circulars and SEBI Circular, the Notice of the 34th AGM along with the Annual Report for FY 2019-20 will be available on the website of the Company at www.hclinfosystems.com, on the website of BSE Limited at www.bseindia.com, on the website of NSE at www.nseindia.com and also on the website of NSDL at www.evoting.nsdl.com.

INSTRUCTION FOR MEMBERS FOR REMOTE E-VOTING AS UNDER

The remote e-voting period begins on Saturday, 26th September, 2020 at 09:00 A.M. and ends on Monday, 28th September, 2020 at 05:00 P.M. The remote e-voting module shall be disabled by NSDL for voting thereafter.

How do I vote electronically using NSDL e-Voting system?

The way to vote electronically on NSDL e-Voting system consists of "Two Steps" which are mentioned below:

Step 1: Log-in to NSDL e-Voting system at <https://www.evoting.nsdl.com/>

Step 2: Cast your vote electronically on NSDL e-Voting system.

Details on Step 1 is mentioned below:

How to Log-in to NSDL e-Voting website?

- I. Visit the e-Voting website of NSDL. Open web browser by typing the following URL: <https://www.evoting.nsdl.com/> either on a Personal Computer or on a mobile.
- II. Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholders' section.
- III. A new screen will open. You will have to enter your User ID, your Password and a Verification Code as shown on the screen.

Alternatively, if you are registered for NSDL eservices i.e. IDEAS, you can log-in at <https://eservices.nsdl.com/> with your existing ID as login. Once you log-in to NSDL eservices after using your log-in credentials, click on e-Voting and you can proceed to Step 2, i.e. Cast your vote electronically.

IV. Your User ID details are given below :

| Manner of holding shares i.e. Demat (NSDL or CDSL) or Physical | Your User ID is: |
|--|--|
| a) For Members who hold shares in demat account with NSDL. | 8 Character DP ID followed by 8 Digit Client ID For example if your DP ID is IN300*** and Client ID is 12***** then your user ID is IN300***12*****. |
| b) For Members who hold shares in demat account with CDSL. | 16 Digit Beneficiary ID For example if your Beneficiary ID is 12***** then your user ID is 12*****. |
| c) For Members holding shares in Physical Form. | EVEN Number followed by Folio Number registered with the company For example if folio number is 001*** and EVEN is 101456 then user ID is 101456001***. |

V. Your password details are given below:

- i. If you are already registered for e-Voting, then you can use your existing password to login and cast your vote.
- ii. If you are using NSDL e-Voting system for the first time, you will need to retrieve the 'initial password' which was communicated to you. Once you retrieve your 'initial password', you need to enter the 'initial password' and the system will force you to change your password.
- iii. How to retrieve your 'initial password'?
 - a) If your email ID is registered in your demat account or with the Company, your 'initial password' is communicated to you on your email ID. Trace the email sent to you from NSDL from your mailbox. Open the email and open the attachment i.e. .pdf file. Open the .pdf file. The password to open the .pdf file is your 8 digit client ID for NSDL account, last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The .pdf file contains your 'User ID' and your 'initial password'.
 - b) If your email ID is not registered, please follow steps mentioned below in process for those members whose email ids are not registered.

VI. If you are unable to retrieve or have not received the "Initial password" or have forgotten your password click on:

- i. "Forgot User Details/Password?" (If you are holding shares in your demat account with NSDL or CDSL) option available on www.evoting.nsdl.com.
- ii. "Physical User Reset Password?" (If you are holding shares in physical mode) option available on www.evoting.nsdl.com.
- iii. If you are still unable to get the password by aforesaid two options, you can send a request at evoting@nsdl.co.in mentioning your demat account number/folio number, your PAN, your name and your registered address.
- iv. Members can also use the OTP (One Time Password) based login for casting the votes on the e-Voting system of NSDL.

VII. After entering your password, tick on Agree to "Terms and Conditions" by selecting on the check box.

VIII. Now, you will have to click on "Login" button.

IX. After you click on the "Login" button, Home page of e-Voting will open.

Details on Step 2 is given below:

How to cast your vote electronically on NSDL e-Voting system?

- I. After successful login at Step 1, you will be able to see the Home page of e-Voting. Click on e-Voting. Then, click on Active Voting Cycles.
- II. After click on Active Voting Cycles, you will be able to see all the companies "EVEN" in which you are holding shares and whose voting cycle is in active status.
- III. Select "EVEN" of the Company.
- IV. Now you are ready for e-Voting as the Voting page opens.
- V. Cast your vote by selecting appropriate options i.e. assent or dissent, verify/modify the number of shares for which you wish to cast your vote and click on "Submit" and "Confirm" when prompted.

- VI. Upon confirmation, the message "Vote cast successfully" will be displayed.
- VII. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.
- VIII. Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-Voting user manual for Shareholders available at the download section of www.evoting.nsdl.com or call on toll free no.: 1800-222-990 or send a request at evoting@nsdl.co.in or contact Mr. Amit Vishal, Senior Manager or Ms Pallavi Mhatre Manager, National Securities Depository Ltd., Trade World, 'A' Wing, 4th Floor, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai – 400 013, at the designated email IDs: evoting@nsdl.co.in or AmitV@nsdl.co.in or pallavid@nsdl.co.in or at telephone nos. : +91-22-24994360 or +91-99202 64780 or +91-22-24994545 who will also address the grievances connected with the voting by electronic means. Members may also write to the Company Secretary at the Company's email address cosec@hcl.com.

Process for those shareholders whose email ids are not registered with the depositories for procuring user id and password and registration of e mail ids for e-voting for the resolutions set out in this notice:

- a. Those Members, who hold shares in physical form or who have not registered their email address with the Company and who wish to participate in the 34th AGM or cast their vote through remote e-Voting or through the e-Voting system during the meeting, may obtain the login ID and password by sending scanned copy of: i) a signed request letter mentioning your name, folio number and complete address; and ii) self attested scanned copy of the PAN Card and any document (such as Driving Licence, Bank Statement, Election Card, Passport, AADHAR Card) in support of the address of the Member as registered with the Company; to the email address of the Company cosec@hcl.com
- b. In case shares are held in demat mode, Members may obtain the login ID and password by sending scanned copy of (i) a signed request letter mentioning your name, DP ID-Client ID (16 digit DP ID + Client ID or 16 digit beneficiary ID); (ii) self-attested scanned copy of client master or Consolidated Demat Account statement; and (iii) self attested scanned copy of the PAN Card, to the email address of the Company cosec@hcl.com

INSTRUCTIONS FOR MEMBERS FOR ATTENDING THE AGM THROUGH VC/OAVM ARE AS UNDER:

- 1. Member will be provided with a facility to attend the AGM through VC/OAVM through the NSDL e-Voting system. Members may access the same at <https://www.evoting.nsdl.com> under shareholders/members login by using the remote e-voting credentials. The link for VC/OAVM will be available in shareholder/members login where the EVEN of Company will be displayed. Please note that the members who do not have the User ID and Password for e-Voting or have forgotten the User ID and Password may retrieve the same by following the remote e-Voting instructions mentioned in the notice to avoid last minute rush. Further members can also use the OTP based login for logging into the e-Voting system of NSDL.
- 2. Members are encouraged to join the Meeting through Laptops for better experience.
- 3. Further Members will be required to allow camera and use internet with a good speed to avoid any disturbance during the meeting.
- 4. Please note that participants connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to Fluctuation in their respective network. It is therefore recommended to use Stable Wi-Fi or LAN Connection to mitigate any kind of aforesaid glitches.
- 5. Shareholders who would like to express their views/ask questions during the meeting may register themselves as a speaker may send their request mentioning their name, demat account number/folio number, email id, mobile number at (company email id) at cosec@hcl.com
- 6. Shareholders who would like to express their views/have questions may send their questions in advance mentioning their name demat account number/folio number, email id, mobile number at cosec@hcl.com. The same will be replied by the company suitably.
- 7. Those shareholders who have registered themselves as a speaker will only be allowed to express their views/ask questions during the meeting.

PROCEDURE TO RAISE QUESTIONS / SEEK CLARIFICATIONS WITH RESPECT TO ANNUAL REPORT:

As the AGM is being conducted through VC / OAVM, members are encouraged to express their views /send their queries in advance mentioning their name, DP Id and Client Id/Folio No., e-mail id, mobile number at cosec@hcl.com to enable smooth conduct of proceedings at the AGM. Questions / Queries received by the Company on or before Tuesday, 22nd September, 2020 on the aforementioned e-mail id shall only be considered and responded to during the AGM.

Members who would like to express their views or ask questions during the AGM may register themselves as a speaker by sending their request from their registered email address mentioning their name, DP Id and Client Id / Folio No., PAN, mobile number at cosec@hcl.com on or before Tuesday, 22nd September, 2020. Those Members who have registered themselves as



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a speaker will only be allowed to express their views/ask questions during the AGM. Speakers are requested to submit their questions at the time of registration, to enable the Company to respond appropriately.

The Company reserves the right to restrict the number of questions and number of speakers, as appropriate, to ensure the smooth conduct of the AGM.

THE INSTRUCTIONS FOR MEMBERS FOR e-VOTING ON THE DAY OF THE AGM ARE AS UNDER:-

- a. The procedure for e-Voting on the day of the 34th AGM is same as the instructions mentioned above for remote e-voting.
- b. Only those Members, who will be present in the 34th AGM through VC/OAVM Facility and have not cast their vote on the Resolutions through remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting system in the 34th AGM.
- c. The Members who have casted their vote through remote e-Voting will be eligible to attend the 34th AGM. However, they will not be eligible to vote at the AGM.
- d. The details of the person who may be contacted for any grievances connected with the facility for e-Voting on the day of AGM shall be the same person mentioned for Remote e-Voting.

PROCEDURE FOR INSPECTION OF DOCUMENTS:

During the AGM, the Register of Directors and Key Managerial Personnel and their shareholding maintained under Section 170 of the Act, the Register of Contracts or arrangements in which Directors are interested under Section 189 of the Act and the Certificate from Auditors of the Company certifying that the ESOP Schemes of the Company are being implemented in accordance with, the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and all the documents referred to in the accompanying Notice of the 34th AGM and the explanatory statement shall be available for inspection upon login at NSDL e-voting system at <https://www.evoting.nsdl.com/>.

OTHER GUIDELINES FOR MEMBERS

1. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-Voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the "Forgot User Details/Password?" or "Physical User Reset Password?" option available on www.evoting.nsdl.com to reset the password.
2. The voting rights of Members shall be in proportion to their share in the paid up equity share capital of the Company as on the cutoff date of 22nd September, 2020.
3. Any person, who acquires shares of the Company and becomes Member of the Company after the Company sends the Notice of the 34th AGM by email and holds shares as on the cut-off date i.e. 22nd September, 2020, may obtain the User ID and password by sending a request to the Company's email address cosec@hcl.com. However, if you are already registered with NSDL for remote e-Voting then you can use your existing user ID and password for casting your vote. If you forgot your password, you can reset your password by using "Forgot User Details/Password?" or "Physical User Reset Password?" option available on www.evoting.nsdl.com.
4. A person, whose name is recorded in the Register of Members or in the Register of Beneficial Owners maintained by the depositories as on the cut-off date only shall be entitled to avail the facility of remote e-Voting or casting vote through e-Voting system during the meeting.
5. Mr. Vineet K. Chaudhary, partner of VKC & Associates, Practicing Company Secretary (Membership No. F5327) and in case of his failure, Mr. Mohit K Dixit, Practicing Company Secretary (Membership No. A49021), has been appointed as the Scrutinizer to scrutinize the remote e-Voting process and casting vote through the e-Voting system during the meeting in a fair and transparent manner.
6. During the 34th AGM, the Chairman shall, after entertaining the questions raised by the members in advance or during the concurrence of the 34th AGM, formally invite the members to cast their vote electronically on the resolutions as set out in the Notice of the 34th AGM. On completion of the voting, the meeting shall stand concluded.
7. The Scrutinizer shall after the conclusion of e-Voting at the 34th AGM, first download the votes cast at the AGM and thereafter unblock the votes cast through remote e-Voting and shall make a consolidated scrutinizer's report of the total votes cast in favour or against, invalid votes, if any, and whether the resolution has been carried or not, and such Report shall then be sent to the Chairman or a person authorized by him, within 48 (forty eight) hours from the conclusion of the 34th AGM, who shall then countersign and declare the result of the voting forthwith.
8. The Results declared along with the report of the Scrutinizer shall be placed on the website of the Company at www.hclinfosystems.com and on the website of NSDL at www.evoting.nsdl.com immediately after the declaration of

Results by the Chairman or a person authorized by him. The results shall also be immediately forwarded to the BSE Limited and NSE, Mumbai.

9. To prevent fraudulent transactions, Members are advised to exercise due diligence and notify the Company of any change in address or demise of any Member as soon as possible. Members are also advised to not leave their demat account(s) dormant for long. Periodic statement of holdings should be obtained from the concerned Depository Participant and holdings should be verified from time to time.
10. Details as required in sub-regulation (3) of Regulation 36 of the Listing Regulations and Secretarial Standard on General Meeting (SS-2) of ICSI, in respect of the Directors seeking appointment/ re-appointment at the 34th AGM, forms integral part of the Notice of the 34th AGM. Requisite declarations have been received from the Directors for seeking appointment/ re-appointment.

ANNEXURE TO THE NOTICE

Explanatory Statement [Pursuant to Section 102(1) of the Companies Act, 2013]

The following explanatory statement sets out all material facts relating to various Business including Special Business of the accompanying Notice of the Annual General Meeting to be held on 29th September, 2020.

ITEM NO. 3

Re-appointment of Ms. Ritu Arora (DIN: 07019164) as an Independent Director of the Company

Ms. Ritu Arora was appointed as an Independent Director of the Company by the members at the 29th AGM of the Company held on 19th November, 2015 for a period of five consecutive years i.e. from 6th April, 2015 up to 5th April, 2020.

As per Section 149(10) of the Act, an Independent Director shall hold office for a term of up to five consecutive years on the Board of a Company, but shall be eligible for re-appointment on passing a special resolution by the Company for another term of up to five consecutive years on the Board of a Company.

Based on recommendation of Nomination and Remuneration Committee and Board of Directors and in terms of the provisions of Sections 149, 150, 152 read with Schedule IV and any other applicable provisions of the Act and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Ms. Arora, being eligible for re-appointment as an Independent Director and offering herself for re-appointment, is proposed to be re-appointed as an Independent Director for second term of five consecutive years from 6th April, 2020 till 5th April, 2025.

The Company has received declaration from her stating that she meets the criteria of Independence as prescribed under sub-section (6) of Section 149 of the Companies Act, 2013 and Regulation 16(1)(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. She has also given her consent to continue to act as Director of the Company, if so appointed by the members.

In the opinion of the Board, Ms. Arora fulfils the conditions specified under Section 149 (6) of the Act, the Companies (Appointment and Qualification of Directors) Rules, 2014 and Regulation 16(1)(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for her reappointment as an Independent Director of the Company and is independent of the management. Copy of the draft letter for appointment of Ms. Arora as an Independent Director setting out terms and conditions shall be available for inspection upon login at NSDL e-voting system at www.evoting.nsdl.com

The Board considers that her continued association would be of immense benefit to the Company and it is desirable to continue to avail services of Ms. Arora as an Independent Director.

Accordingly, the Board recommends passing of the Special Resolution in relation to re-appointment of Ms. Arora as an Independent Director for another term of five consecutive years with effect from 6th April, 2020 till 5th April, 2025, for the approval by the shareholders of the Company.

Except Ms. Ritu Arora, being an appointee and her relatives, none of the Directors and Key Managerial Personnel of the Company and their relatives are concerned or interested, financially or otherwise, in the resolution set out at Item No. 3 of the accompanying Notice of the AGM. Ms. Arora is not related to any Director of the Company

ITEM NO. 4

Authorization to sell certain properties held in the name of the Company

There are multiple office properties which are lying vacant as the company is not utilizing these properties after change in business requirements, but the company continues to spend money on maintenance of the property. The Company is taking approval from Banks for monetization of immovable properties, the proceeds of which shall be solely utilized to pay off part of debts of the Company and thereby reducing the cost of finance.

HCL INFOSYSTEMS

As per Section 180(1)(a) of the Companies Act, 2013, any sale, lease or otherwise disposal of the whole or substantially the whole of an undertaking of the Company or where the Company owns more than one undertaking, of the whole or substantially the whole of any such undertaking, requires the approval of the shareholders by way of a special resolution. An undertaking shall mean an undertaking in which the investment of the company exceeds twenty per cent of its net worth as per the audited balance sheet of the preceding financial year or an undertaking which generates twenty per cent of the total income of the company during the previous financial year.

As per the audited accounts of the Company for the financial year 2019-20, the Company's consolidated net worth is negative. Accordingly, Board recommends passing of Special Resolution in relation with in principal approval of shareholders for selling the below mentioned properties:

| S. No. | Location | Address | Category |
|--------|-------------|--|-------------|
| 1 | Noida | E-1,2,3,4,5,6,33,34,35,36,37,38, Sector 11, Noida, Gautham Budh Nagar, UP-201301 | Industrial |
| 2 | Mumbai | Gala no. 305, 306, C-wing, 3 rd floor, Boomerang, Chandivali, Andheri (E), Mumbai – 400072. | Commercial |
| 3 | Hyderabad | GF, FF & SF, Plot No. 44, HCL Towers Dwarkadas Colony, Chikoti Gardens, Begumpet, Hyderabad - 500 016 | Commercial |
| 4 | Mumbai | 3 rd Floor, Udyog Bhawan, Walchand Hirachand Marg, Ballard Estate, Mumbai 400001 | Commercial |
| 5 | Mumbai | Flat No. 202, Second Floor, Juhu Seashell, A.B. Nair Road, Juhu, Mumbai, Maharashtra-400049 | Residential |
| 6 | Mumbai | 603, 6 th Floor, Vishwashanti, Off J P Road, Rayalsavid Link Road, Opposite Nana-Nani Park, Seven Bungalow, Andheri (W) Mumbai, Maharashtra- 400058 | Residential |
| 7 | Pantnagar | Plot No. 1,2,27 & 28, Sector-5, IIE – Pantnagar, Distt U.S. Nagar, Uttarakhand, PIN-263145 | Industrial |
| 8 | Pondicherry | RS no. 107/5,6 & 7 & 108/9-15, Sedarapet main road, Sedarapet, Pondicherry – 605111 | Industrial |
| 9 | Mohali | Plot number, IT-C3, Sector-67, SAS Nagar Mohali-160062-Punjab | IT |
| 10 | Hyderabad | Plot No. 42-49, Hardware Park, Srisailam Highway, Village Kancha Imarat, Madal Mehshwaram, Distt. Rangareddy, Hyderabad, Telangana-500069 | IT |
| 11 | Pondicherry | SPL. A2 Situated In Industrial Estate, Thattanchanvadi, Pondicherry - 605009 | Industrial |
| 12 | Chennai | VB No. 25, 5 th Floor, Sekar Plaza, No. 29, First Main Road, United India Colony, Kodambakkam, Chennai-600024 | Residential |
| 13 | Chennai | D12 & D12-B SIDCO Ambattur Industrial Estate Chennai- 600058 | Industrial |
| 14 | Mumbai | 402, 4 th Floor, Manish Commercial Complex, Plot No 248(a), Dr. Annie Besant Road, Worli, Mumbai-400030 | Commercial |

None of the Directors and Key Managerial Personnel of the Company and their relatives are concerned or interested, financially or otherwise, in the resolution set out at Item No. 4 of the accompanying Notice of the AGM.

ITEM NO. 5

Authorization to surrender Company's Plot located at Plot No 1-9, Sunrise City IT Park, Anandapur, Nonadanga, Kolkata to IT Department Kolkata

The Company had taken plot No 1-9, Sunrise City IT Park, Anandapur, Nonadanga, Kolkata (the land) from IT department Kolkata on lease in 2007. The Company had started construction on the land in 2010, however due to slow down of Company's Business in IT sector during 2010-11 and other infrastructure related issues in relation with the land the construction had to be stopped. The plot is lying vacant since then. As per the terms of lease, the lessee is liable to return the land to the lessor at the same cost if the lessee does not want to construct or fails to complete the project within the stipulated period (5 years) as prescribed by IT department of West Bengal. However, as informed by the Lessor, they may deduct 10% of the cost of land at the time of surrender.

The proceeds to be received by lessor shall be solely utilized to pay off part of debts of the Company and thereby reducing the cost of finance.

As per Section 180(1)(a) of the Companies Act, 2013, any sale, lease or otherwise disposal of the whole or substantially the whole of an undertaking of the Company or where the Company owns more than one undertaking, of the whole or substantially the whole of any such undertaking, requires the approval of the shareholders by way of a special resolution. An undertaking shall mean an undertaking in which the investment of the company exceeds twenty per cent of its net worth as per the audited balance sheet of the preceding financial year or an undertaking which generates twenty per cent of the total income of the company during the previous financial year.

As per the audited accounts of the Company for the financial year 2019-20, the Company's consolidated net worth is negative. Accordingly, Board recommends passing of Special Resolution in relation with the surrender of the land to IT department Kolkata.

None of the Directors and Key Managerial Personnel of the Company and their relatives are concerned or interested, financially or otherwise, in the resolution set out at Item No. 5 of the accompanying Notice of the AGM.

ITEM NO. 6

Amendment of the Employee Stock Option Scheme 2000 (Scheme 2000) and Employee Stock Based Compensation Plan 2005 (Scheme 2005) by inserting the "Amendment and Termination clause"

The shareholders of the Company have approved Employee Stock Option Scheme 2000 (Scheme 2000) and Employee Stock Based Compensation Plan 2005 (Scheme 2005) (hereinafter referred to as "ESOP Schemes") in the extra ordinary general meeting held on 25th February, 2000 and through postal ballot respectively, the result whereof was declared on 13th June, 2005.

As per the ESOP Schemes, exercise of options is permitted upto a period of 5 years from the date of vesting. At present all the options have been exercised/lapsed/forfeited and there is no outstanding balance for both the Schemes. Further there is no such plan for further grant in the schemes.

Hence, the Board recommends passing of shareholders' approval in relation to amend the schemes by inserting "Amendment and Termination Clause" in the ESOP Schemes:

Amendment and Termination of Scheme:

"The Board of Directors in its absolute discretion from time to time can amend, alter or terminate the Scheme or any Grant on the terms and conditions thereof provided, that no amendment, alteration and termination in any Grant previously made may be carried out, to the extent possible, which would impair or prejudice the rights of the Employee without the consent of the concerned Employee.

Further, under the SEBI Guidelines, the Company may by special resolution in a general meeting vary the terms of the ESOP offered pursuant to an earlier resolution of the shareholders but not yet Exercised by the employee provided that it is not prejudicial to the interest of the option holders."

The Board, therefore, recommends to amend the ESOP Schemes so that the Schemes can be terminated.

None of the Directors and Key Managerial Personnel of the Company and their relatives are concerned or interested, financially or otherwise, in the resolution set out at Item No. 6 of the accompanying Notice of the AGM.

PROFILE OF DIRECTORS SEEKING APPOINTMENT/ RE-APPOINTMENT

| Name of Director | Ms. Ritu Arora | Mr. Dilip Kumar Srivastava |
|--|--|--|
| Date of Birth | 05/05/1973 | 10/01/1960 |
| Age (years) | 47 years | 60 years |
| Date of Appointment | 06/04/2015 | 21/03/2014 |
| Nationality | Indian | Indian |
| Qualifications | PGDM from S.P. Jain Institute of Management and Research, ICWAI and BCOM(Hons) | MSW (HR & IR) |
| Expertise in specific functional area | Ms. Ritu Arora is a senior professional with a career spanning 24 years. Ms. Arora has extensive leadership experience in domestic and international capital markets, corporate finance, strategy etc. As an economy specialist she has deep appreciation of emerging global and domestic macro-economic trends and their business impact. Ms. Arora has held key leadership responsibilities in leading multinationals including Investment management and governance, P&L strategy, corporate finance, Strategic tie ups, merger and acquisitions, treasury, procurement etc. | Mr. Dilip Kumar Srivastava has been associated with HCL for many years. Nestle, Tata and L&T are some of the other major organizations that he has worked with. At HCL, he has been one of the key drivers of its transformation journey, and is passionate about empowering every HCL employee to optimize his or her capabilities and performance, and build a dynamic, future-ready organization. Mr. Srivastava is an architect of several unique and innovative HR practices and is the driving force behind several groundbreaking people practices in the area of coaching, training and skill development. |
| Directorships held in other Companies as on date | <ul style="list-style-type: none"> - Allianz Investment management Singapore - Bajaj Allianz Financial Distributors Limited - Bajaj Allianz General Insurance Company Limited - Bajaj Allianz Life Insurance Company Limited - Bajaj Allianz Staffing Solutions Limited | <ul style="list-style-type: none"> - HCL Infotech Limited - Digilife Distribution and Marketing Services Limited - HCL Learning Limited - HCL TalentCare Private Limited |
| Membership/ Chairmanship in Committees of other companies as on date | <p>Bajaj Allianz Life Insurance Company Limited</p> <ul style="list-style-type: none"> - Audit Committee (Member) - Corporate Social Responsibility Committee (Member) - Investment Committee (Member) - Nomination and Remuneration Committee (Member) - Policyholders' Protection Committee (Member) - Risk Management Committee (Member) - Share Allotment Committee (Member) <p>Bajaj Allianz General Insurance Company Limited</p> <ul style="list-style-type: none"> - Audit Committee (Member) - Corporate Social Responsibility Committee (Member) - Investment Committee (Member) - Nomination and Remuneration Committee (Member) - Policyholders' Protection Committee (Member) - Risk Management Committee (Member) - Share Allotment Committee (Member) | <p>HCL TalentCare Private Limited</p> <ul style="list-style-type: none"> - Corporate Social Responsibility Committee (Member) - Borrowing Committee (Member) |
| Number of shares held in the Company as on date | NIL | NIL |
| Relationship with other Directors/ Manager and other KMP | Ms. Arora does not have any relationship with other Directors or KMP | Mr. Srivastava does not have any relationship with other Directors or KMP |
| No. of Board Meeting attended during the year | 7 out of 9 | 9 out of 9 |

Mr. Dilip Kumar Srivastava is interested in the Ordinary Resolution set out at item No. 2 of the Notice with regard to his re-appointment. The relatives of Mr. Dilip Kumar Srivastava may be deemed to be interested in the said resolution to the extent of their shareholding interest, if any, in the Company. Save and except above, none of the Directors/Key Managerial Personnel of the Company/their relatives are, in any way, concerned or interested financially or otherwise in the Ordinary Resolution set out under the item no. 2 of the Notice



Annual Report 2019-20



CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman

Nikhil Sinha

Directors

Dilip Kumar Srivastava

Kaushik Dutta

Pawan Kumar Danwar

Ritu Arora

Sangeeta Talwar

CHIEF FINANCIAL OFFICER

Kapil Kapur

COMPANY SECRETARY

Sushil Kumar Jain

AUDITORS

BSR & Associates LLP, Gurugram

BANKERS

State Bank of India

HDFC Bank Ltd.

ICICI Bank Ltd.

IDBI Bank Limited

Standard Chartered Bank

Axis Bank Limited

Yes Bank Limited

IDFC First Bank Ltd.

Indusind Bank Ltd.

REGISTERED OFFICE

806, Siddharth, 96,

Nehru Place, New Delhi - 110019

CORPORATE OFFICE

E – 4, Sector – XI, Noida – 201301 (U.P.)

CORPORATE IDENTITY NUMBER

L72200DL1986PLC023955

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CHAIRMAN MESSAGE



Dear Shareholders,

The strategy of the Company during FY 2019-20 was to rationalise our businesses to reduce our debt and curtail our finance cost. The Company was also focussed on reducing its operational losses. To achieve these objectives the Company took several actions. The Singapore IT Services business was sold to PCCW Solutions Limited, Hong Kong. The Company received a consideration of SGD 57.6 Million (₹ 303.4 Crore) for this business which was used to retire a portion of our debt.

Due to challenging and competitive market conditions, both revenue and margins were impacted adversely in our distribution business. Consequently, the Board after taking into consideration the Company's financial position, recommended that both the Enterprise and Consumer distribution businesses be gradually scaled down over the next few quarters.

Our Systems Integration and Solutions business focussed on recovering outstanding payments from customers by efficiently completing projects and deliverables. However the business continued to face delays in recovering receivables, especially in the power sector. The team has been continuously engaging with this set of customers to recover the outstanding dues as soon as possible.

Going forward, the Company will further rationalize its businesses and concentrate on recovering its receivables in the System Integration and Solutions business. The Company will also continue to monetize its business and real estate assets in order to repay high-cost loans and thereby reduce its finance cost.

However, I would like to highlight that the current pandemic situation will lead to delays in some of our plans with respect to rationalization of our businesses and monetization of our assets.

I would like to thank all our shareholders for your support and faith in the Company. The Covid-19 pandemic has and will change the way we conduct our business and lead our lives. I wish that each one of you come out of this situation stronger and with hope for a bright future.

With Warm Regards,
Nikhil Sinha

Management Discussion & Analysis

Focus on reduction of outstanding debt and losses

In FY 18 and FY 19, the strategy of the Company was to focus on the consolidation of its various businesses. In FY20, we re-calibrated our journey by focusing on the reduction of outstanding debt as well as curtailment of losses. Hence, during the financial year rationalization of the businesses of the company were carried out. This involved continuous assessment throughout the financial year resulting in the sale of some of the businesses and scaling down of certain businesses that were incurring losses and had low margins. HCL Infosystems also focused on collecting receivables from various customers including its legacy System Integration projects.

In FY19, we had reported revenue from continuing operations of ₹ 3875 Crore while in FY20 our revenues decreased to ₹ 1815 Crore.

Businesses Performance & Highlights

For the purpose of financial reporting, the businesses have been arranged as per the following primary business categories:

| Business Categories | Lines of Business |
|----------------------------------|---------------------------------|
| Enterprise Distribution | Third-Party Enterprise Products |
| Consumer Distribution | Third-Party Consumer Products |
| Global Services | Enterprise Services Singapore* |
| System Integration and Solutions | System Integration projects |

* The Singapore Services Business has been divested in November 2019 and is considered as part of Discontinued Operations.

The numbers provide a line of business-wise view based on management accounts and are not as per reported segments.

The Highlights for FY20 were:

- The Distribution business of the company consists of two go-to-market engines - Enterprise Distribution and Consumer Distribution.
- FY20 Annual revenue of Enterprise Distribution was ₹ 1,083 Crore vs. ₹ 1,704 Crore in FY19.
- Consumer Distribution registered revenue of ₹ 573 Crore in FY20 vs. ₹ 2,018 Crore in FY19
- The System Integration and Solutions business had followed its well-charted path of execution of existing projects as well as the collection of receivables.
- During the financial year, the Overseas Services business in Singapore was divested. This transaction was in line with the Company's strategy to focus on rationalization and monetizing of its businesses and assets to reduce its debt obligations.

Distribution Business – Enterprise and Consumer Distribution

During the financial year, revenue from the Distribution business declined and the business was negatively impacted due to losses. Both the distribution business units – Enterprise and Consumer had to operate in a challenging market environment. These are low margin businesses and the margins were further reduced.

An expert consulting firm was engaged by the Board of Directors of the company to review the distribution businesses. The Consulting firm presented its report to the Board of Directors, and the findings have been summarized below:

1. The Distribution Business is a low margin business and cannot sustain a long market slowdown or long overdue debtors. The working capital constraints for the business have negatively affected business results by limiting the number of tie-ups with OEMs.
2. At the existing scale of business, it will be difficult for the company to maintain its existing credit limits with the banks for performance guarantees, LCs and BGs etc., which are essential to onboard new OEMs & service existing ones.
3. The report suggested that at the existing turnover, inventory levels, and access to credit limits it would be difficult to sustain this business.

The Board reviewed the report after its submission and in January 2020 noted that because of low margin contracts, tough market conditions and the current financial position of the Company, the Distribution businesses are declining and incurring greater losses. Hence, the Board recommended that in order to limit future financial losses the Enterprise and Consumer Distribution Business be gradually scaled down over the next few quarters.

In FY20, the Distribution business had reported a revenue of ₹ 1656 Crore.

The Consumer Distribution Business reported a revenue of ₹ 573 Crore in FY20 versus ₹ 2,018 Crore in FY19. HMD Global for Nokia handsets was the main contributor to the revenue of Consumer Distribution in the Financial Year. The partnership with

Microsoft for its Surface range of products also contributed to the revenue. The revenue in the financial year was impacted by the prevailing market conditions and changes in the business.

The Enterprise Distribution business registered revenue of ₹1083 Crore versus ₹ 1704 Crore in FY19. In the Financial Year, the main revenue contributor was the End User Computing Channel Business. The other line of business, which provides technology solutions directly to customers also made a substantial contribution to the revenue. There was a decline in Y-o-Y revenue due to several factors such as a competitive environment, market slowdown and delayed customer decisions.

System Integration (SI) & Solutions Business

The SI and Solutions business reported revenue of ₹ 154 Crore in FY20 with focus on project execution and gain outstanding receivables from customers. The total order book size stood at ₹ 436 Crore as on 31st March 2020.

Though the business was able to realize ₹ 232 Crore from customers, it continued to face delays in receivables. This delay was especially witnessed in customers from the power sector. The company has been constantly focusing on expediting the resolution of such issues by continuous engagement with the customer for the acceptance of project completions; however, progress has been very slow. It can be noted here that such delays have been the main reason for the high debt obligation and finance costs of the company.

During the year, ₹ 105 Crore has been provided for on account of such receivables.

COVID – 19 Impact

The operations and financial results of the company were marginally impacted due to shut down of the company's operations across various locations w.e.f. March 23, 2020, as per the directives of both the Central and State Governments in the wake of COVID-19 pandemic. In evaluating the impact of COVID-19 on its ability to continue as a going concern and the possible impact on its financial position, the management has assessed the impact of macro-economic conditions on its business and the carrying value of its major assets comprising of Property, Plant and Equipment (PPE), trade receivables and other balances recoverable. In this regard, the management has carefully considered the circumstances and risk exposures arising from the COVID-19 situation for developing the estimates based on available information in its assessment of impact thereof on its financial reporting. Based on the aforesaid assessment, management believes that the Group will continue as a going concern and will be able to meet all of its obligations as well as recover the carrying amount of its aforesaid assets as on March 31, 2020. The impact assessment of COVID-19 is a continuing process given the uncertainties associated with its nature and duration and actual results may differ materially from these estimates. The Group will continue to monitor any material changes to future economic conditions and any significant impact of these changes would be recognized in the financial statements as and when these material changes to economic conditions arise.

Other Updates

Due to losses during the last few years and high debt obligation along with challenging marketing conditions, the company has been constantly exploring restructuring, re-organization and sale of its select businesses & assets etc. to reduce the debt obligations and finance cost burden thereon.

For the company, key development in the financial year as part of its divestment strategy was the sale of its Services business in Singapore. On 6th August 2019, the company approved the sale of shares of HCL Insys Pte. Ltd., Singapore by entering into an agreement with PCCW Solutions Limited, Hong Kong. Pursuant to this, on 15th November 2019, the company concluded the sale of the entire shareholding of HCL Insys Pte. Ltd. to PCCW for a consideration of SGD 57.6 Million (₹ 303.4 Crore). From the proceeds of this sale, the company could retire a portion of its debt and thereby reduce its finance cost.

To reduce our debt obligations, we have decided to monetize company-owned properties in a phased manner. Several of our properties are not being fully utilized due to changes in the business of the Company.

As at March 31, 2020, the Group has accumulated losses and its net worth has been fully eroded, the Group has a net loss during the current and previous year and the Group's current liabilities exceeded its current assets by ₹ 432 Crore (2019 - ₹ 385 Crore) as at the balance sheet date. The losses are primarily because of delayed receipts on certain system integration contracts, certain historical low margin contracts, slow-down of distribution businesses and finance costs. The Parent Company's management is pursuing strategies, which include scale down of loss-making businesses like scaling down of the distribution business, sale of certain non-core properties and reduction in outstanding debts. To ensure the necessary financial support for its operations, the Board of Directors of HCL Corporation Private Limited has issued a support letter (in the form of Corporate Guarantee aggregating or unsecured loan) to the Parent's to the extent of ₹ 500 Crores. Considering the above support, the Parent's management and the Board of Directors have a reasonable expectation that the Group will be able to realize its assets and discharge its contractual obligations and liabilities as they fall due in the near future in the normal course of business. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Quality Initiatives

During the financial year, the company undertook quality initiatives as per business requirements. HCL Infosystems completed re-certification from certification bodies as well as conducted training sessions. Process standardization and upgradation were done as per the ongoing need of the organization.

Business Risks & Mitigation Measures

Performance of our businesses can get affected by various risks posed by the external environment. Your Company continuously revisits the Enterprise Risk Management (ERM) framework and strengthens it to address various risks to our

HCL INFOSYSTEMS

businesses. The risk management program (ERM) involves risk identification, assessment and risk mitigation planning for strategic, operational and compliance-related risks across business units and functions. Periodic monitoring of risk is done based on the overall risk performance and mitigation

action is refined and re-planned. The following table provides a glimpse of some key risks and their mitigation measures, which the Company tracks regularly at an overall level (in addition to individual business risks tracked at the individual business level):

| Sl. No. | Category | Risk Item | Risk Description | Risk Management Strategy |
|---------|--------------|----------------|--|---|
| 01 | Financial | Sustainability | <ul style="list-style-type: none"> • Delay from Client in Project sign off and payment • Increasing finance cost to continuously run the operations without corresponding collections (BR) • Contractual compulsions to continue servicing unviable contracts | <ul style="list-style-type: none"> • Management is addressing the subject strategically, adopting both discussion mode as well as arbitration routes • This has shown positive results in terms of movement in collections as well as a positive movement in arbitration for a time-bound solution. |
| 02 | Financial | Sustainability | <ul style="list-style-type: none"> • Disputed billed receivables due to project deliverable issues | <ul style="list-style-type: none"> • Contesting the matters based on judicial precedents in the cases • Case to case basis, strategically handled • Provisions are made on a case to case basis based on management assessment of the legal cases |
| 03 | Financial | Sustainability | <ul style="list-style-type: none"> • Due to cost overrun, there is a Viability issue on completion of the balance work in SI | <ul style="list-style-type: none"> • Management is negotiating with vendors on the Cost optimization • Several other cost optimization initiatives including outsourcing models are continuously explored • Re-negotiation with customers for revised pricing • To the extent of additional funding, the company is depending on the promoter support |
| 04 | Operational | Financial risk | <ul style="list-style-type: none"> • Delay in collecting the receivables / recoverable on account of divested businesses | <ul style="list-style-type: none"> • HCL is currently exploring various other recourse available to collect the recoverable amount |
| 05 | Treasury | Treasury risk | <ul style="list-style-type: none"> • Breach of Loan covenants | <ul style="list-style-type: none"> • Improve the collection efficiency in business operations • Continuous monitoring & adherence to loan payment terms • Monetization of identified assets • Daily/Weekly cash flow management to reduce the need for borrowings • Support in the form of promoter's guarantee |
| 06 | Operational | Compliance | <ul style="list-style-type: none"> • Code of Conduct (COC) & Ethical Issues | <ul style="list-style-type: none"> • Independent Whistle Blower Mechanism • Strict actions on violations • Continuous emphasis on company's code of conduct policy • Annual / Quarterly certification on compliance |
| 07 | Indirect tax | Compliance | <ul style="list-style-type: none"> • Authorities claim cannot be foreseen without any time-limit | <ul style="list-style-type: none"> • Document retention policies in the company aligned with the statutory requirements and for Open transactions (legally or otherwise) • Maintain statutorily required documents as per retention policies • Wherever required, suitable legal approach |

| Sl. No. | Category | Risk Item | Risk Description | Risk Management Strategy |
|---------|--------------|------------|---|---|
| 08 | Indirect tax | Compliance | <ul style="list-style-type: none"> Actual liability could be more due to unsuccessful trials; Insufficient funds to meet unsuccessful litigations | <ul style="list-style-type: none"> High-value litigation matters were opined in the company's favour by expert advocates Company has opted for amnesty scheme in Service Tax & Excise cases & filed applications in SVLDRS-2019 wherein certain tax liabilities have been settled without payment of interest and penalty. There are deposits made and Bank Guarantee issued against some of the specific claims Necessary provisions are also made in the books of accounts In most cases, except where provision has been created, the company has assessed the cases and is of the view that the company has a good chance of success both on factual as well as technical grounds. |

Internal Control Systems and their adequacy

The Company has put in place controls commensurate with the size and nature of operations. These have been designed to provide reasonable assurance concerning recording and providing reliable financial and operational information, complying with applicable statutes, safeguarding assets from unauthorized use or losses, executing transactions with proper authorization and ensuring compliance of corporate policies.

The company has an internal audit function designed to review the adequacy of internal control checks in the system, which covers all significant areas of the Company's Operations such as Accounting and Finance, Procurement, Business Operations, Statutory compliances, IT Processes, Safeguarding of Assets and their protection against unauthorized use, among others. The Internal Audit function performs the internal audit of the Company's activities based on an internal audit plan, which is reviewed each year and approved by the Board Audit Committee. The Audit Committee reviews the reports submitted by internal auditors. Suggestions for improvements are considered and the Audit Committee follows up on corrective action. Disciplinary action is taken, wherever required, for non-compliance to corporate policies and controls.

Human Resource Development

As on March 31, 2020, the employee strength of the Company stood at 1139, while on April 1, 2019, it was 1207. Besides full-time employees, the Company also engaged over 420 associates for various short-term projects across different timelines. Reduction in headcount was due to the

divestment of a subsidiary of HCL Infosystems in Singapore and organizational right sizing.

Talent Management: The Company cross-leveraged existing talent across businesses, to cater to relevant opportunities within India. This ensured optimum utilization of in-house talent as well as actualized possible career paths for them. Retention of employees critical to our organizational transition was addressed via innovative retention plans.

Assessments were conducted through the 'Assessment Centre' process for the critical level movements across the organization.

DISCLAIMER

Certain statements made in this report relating to the Company's objectives, projections, outlook, estimates, etc. may constitute 'forward-looking statements' within the meaning of applicable laws and regulations. Actual results may differ from such estimates or projections etc., whether expressed or implied. Several factors including but not limited to economic conditions affecting demand and supply, government regulations and taxation, input prices, exchange rate fluctuation, etc., over, which the Company does not have any direct control, could make a significant difference to the Company operations. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether because of new information, future events, or otherwise. Readers are cautioned not to place undue reliance on any forward-looking statements. The MD&A should be read in conjunction with the Company's financial statements included herein and the notes thereto. Information provided in this MD&A pertains to HCL Infosystems Limited and its subsidiaries on a consolidated basis unless otherwise stated.

FINANCIAL COMMENTS ON CONSOLIDATED OPERATIONS FOR THE YEAR ENDED MARCH 31, 2020

The financial statements have been prepared as per the Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the Act) [Companies (Indian Accounting Standards) Rules, 2015] and other relevant provisions of the Act.

The Management Discussion and Analysis of Financial performance relates to Consolidated Financial Statements of the Company and its subsidiaries. This should be read in conjunction with the financial statements and related notes to the consolidated accounts for the year ended March 31, 2020.

The company had divested Care Business, Domestic Enterprise Services Business & Middle East Asia Services in FY19 and Singapore Services business in FY 20, considered as “discontinued operations”

RESULTS OF OPERATIONS

| Particulars | ₹ Crore | |
|---|--------------|--------------|
| | FY 20 | FY 19 |
| Revenue | 1815 | 3875 |
| Cost of sales | 1709 | 3717 |
| Gross margin from continuing operations | 106 | 158 |
| Employee benefits expense | 110 | 127 |
| Administration, selling and others | 104 | 105 |
| Depreciation and amortization expense | 9 | 12 |
| Interest income on lease rental | 0 | 1 |
| Gain on foreign exchange fluctuation | 2 | 2 |
| Provisions/liabilities no longer required written back | 27 | 10 |
| Operating Profit/(loss) from continuing operations before doubtful debts provision | (88) | (73) |
| Provision for doubtful debts | 110 | 62 |
| Interest income on discounted receivables | 29 | 54 |
| Investment & other Income | 19 | 33 |
| Finance costs | 90 | 123 |
| Profit/(loss) before exceptional items and tax from continuing operations | (240) | (171) |
| Exceptional Items gain/ (loss) | 12 | 0 |
| Tax expense | 62 | 3 |
| Profit/(loss) after tax from continuing operations | (290) | (174) |
| Profit/(loss) from discontinued operations before Tax | 4 | 34 |
| Profit/(loss) on disposal of discontinued operations | 151 | 10 |
| Tax expense of discontinued operations | 1 | 5 |
| Profit/(loss) from discontinued operations (after tax) | 154 | 39 |
| Profit/(loss) from continuing and discontinued operations (after tax) | (136) | (135) |
| Other comprehensive income | 4 | 4 |
| Total comprehensive income/(loss) for the year | (132) | (131) |

Revenue

Consolidated Revenues decreased to ₹ 1,815 Crore in FY 20 as compared to ₹ 3,875 Crore in FY 19. The decline in revenue is majorly in the Distribution business.

Gross Margin

Gross margin was 5.8% in FY 20 as against 4.1% in FY 19. Increase in gross margin was due to higher margin in System Integration business and mix change. Distribution business revenue in percentage terms of total revenue was lower in FY 20 (91%) in comparison to FY 19 (96%).

Employee Benefits Expense

Employee Benefits Expense was ₹ 110 Crore in FY 20 as against ₹ 127 Crore in FY 19.

Administration, Selling and Other Expenses

Administration, Selling, & other expenses were ₹ 104 Crore in FY 20 as against ₹ 105 Crore in FY 19. The details of administration, selling & other expenses are as follows:

| Particulars | ₹ Crore | |
|---|------------|------------|
| | FY 20 | FY 19 |
| Legal, Professional and Consultancy Charges | 34 | 29 |
| Rent | 8 | 12 |
| Bank Charges | 9 | 11 |
| Retainership Expenses | 11 | 11 |
| Travelling and Conveyance | 5 | 6 |
| Office Electricity and Water | 3 | 5 |
| Packing, Freight and Forwarding | 2 | 5 |
| Rates and Taxes* | 14 | 2 |
| Others | 18 | 24 |
| TOTAL | 104 | 105 |

*During FY20, Company opted for settlement of certain cases w.r.t. VAT, CST, Excise & Service Tax with the various departments under various amnesty schemes resulting in an expense of ₹ 8 Crore.

Depreciation

Depreciation was ₹ 9 Crore in FY 20 as against ₹ 12 Crore in FY 19.

Provisions/Liabilities no longer required written back

Provisions/Liabilities no longer required written back were ₹ 27 Crore in FY 20 as against ₹ 10 Crore in FY 19.

Operating Profit/ (Loss) from continuing operations before Doubtful Debts provision

Operating Profit/ (Loss) from continuing operations before Doubtful Debts provision was ₹ (88) Crore in FY 20 as against ₹ (73) Crore in FY 19. This was lower due to lower revenue in FY 20.

Provision for Doubtful Debts

Provisions for doubtful debts were ₹ 110 Crore in FY 20 as against ₹ 62 Crore in FY 19, mainly in System Integration business & Solutions business. Provision for doubtful debts

created due to inordinate delays with certain customer acceptances and payments thereof, especially in the Power Sector.

Interest Income on discounted receivables

Interest Income on discounted receivables was ₹ 29 Crore in FY 20 as against ₹ 54 Crore in FY 19, mainly due to lower Trade Receivables in System Integration business.

Investment & Other Income

Investment & other income was ₹ 19 Crore in FY 20 as against ₹ 33 Crore in FY 19. During FY 19, interest & other income was higher due to income from sharing of the company's infrastructure & facilities with Divested business.

Finance Costs

Finance costs were ₹ 90 Crore in FY 20 as against ₹ 123 Crore in FY 19, mainly due to lower borrowings in FY 20.

Exceptional Items

Gain from Exceptional items was ₹ 12 Crore in FY 20 (net gain on sale of properties) as against Nil in FY 19.

Tax Expense

Tax expense net of deferred tax was ₹ 62 Crore in FY 20 as against ₹ 3 Crore in FY 19. In FY 20, Tax expense higher mainly due to deferred tax assets reversal.

Profit/ (Loss) after Tax from continuing operations

Profit/ (Loss) after Tax from continuing operations was ₹ (290) Crore in FY 20 as against ₹ (174) Crore in FY 19. FY 20 loss was higher due to lower revenue, higher provisioning in System Integration Business and higher Tax expense due to the reversal of deferred tax assets.

Profit/ (Loss) from Discontinued operations (before Tax)

Profit/ (Loss) from Discontinued operations (before Tax) was ₹ 4 Crore in FY 20 as against ₹ 34 Crore in FY 19.

Profit/ (loss) on disposal of discontinued operations

Profit/ (Loss) on disposal of discontinued operations was ₹ 151 Crore in FY 20 (Singapore Services business) as against ₹ 10 Crore in FY 19 (Care Business ₹ 8 Crore, HCL Services Ltd. ₹ 1 Crore, Others ₹ 1 Crore).

Tax expense from discontinued operations

Tax expense from discontinued operations was ₹ 1 Crore in FY 20 as against ₹ 5 Crore in FY 19.

Profit/ (Loss) from Continuing and Discontinued operations (after tax)

Profit/ (Loss) from Continuing and Discontinued operations (after tax) was ₹ (136) Crore in FY 20 as against ₹ (135) Crore in FY 19.

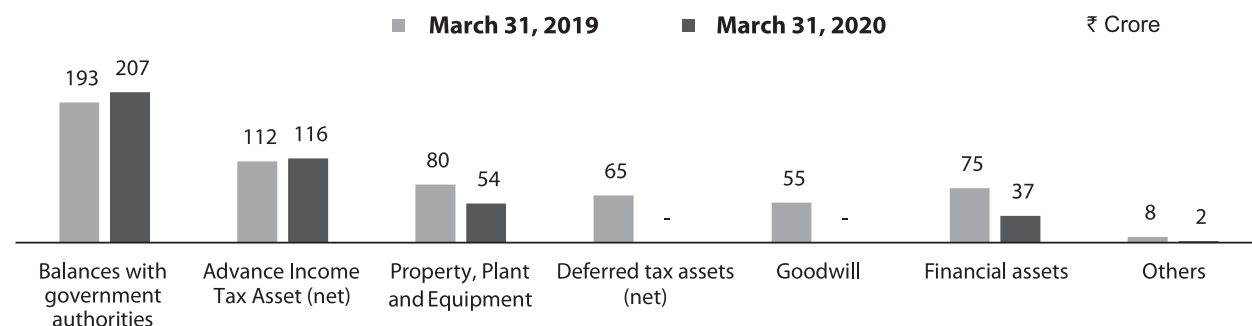
FINANCIAL CONDITION

₹ Crore

| Particulars | March 31, 2020 | March 31, 2019 |
|-------------------------------------|----------------|----------------|
| ASSETS | | |
| Non-current assets | 416 | 588 |
| Current assets | 628 | 1,395 |
| Disposal group-assets held for sale | 3 | 14 |
| Total | 1,047 | 1,997 |
| EQUITY AND LIABILITIES | | |
| Net worth | (42) | 104 |
| Non-current liabilities | 29 | 112 |
| Current liabilities | 1,060 | 1,781 |
| Total | 1,047 | 1,997 |

Non-Current Assets

Non-current assets were ₹ 416 Crore as at March 31, 2020, as compared to ₹ 588 Crore as at March 31, 2019. The details are as follows:

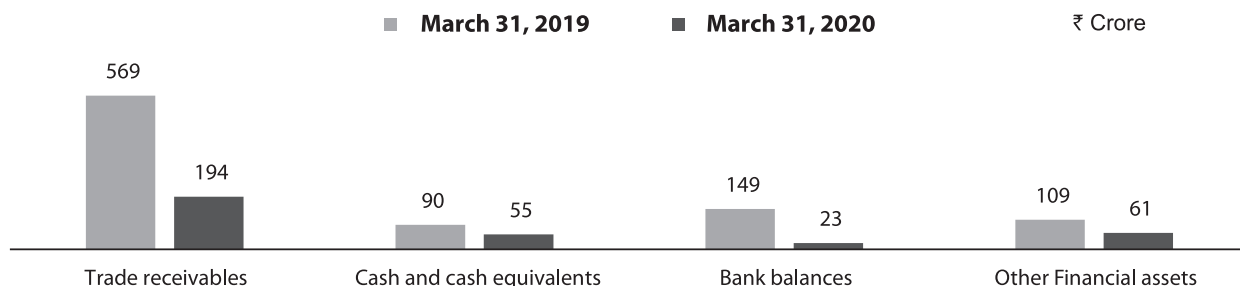


HCL INFOSYSTEMS

Current Assets

Current assets were ₹ 628 Crore as at March 31, 2020, as compared to ₹ 1,395 Crore as at March 31, 2019. The details are as follows:

- Inventories were ₹ 28 Crore as at March 31, 2020, as compared to ₹ 96 Crore as at March 31, 2019, lower by ₹ 68 Crore mainly in Enterprise Distribution business.
- Financial Assets were ₹ 333 Crore as at March 31, 2020, as compared to ₹ 917 Crore as at March 31, 2019. Trade receivables were lower at March 31, 2020, mainly in Distribution and System Integration. The details are as follows:



- Other Current Assets were ₹ 266 Crore as at March 31, 2020, as compared to ₹ 382 Crore as at March 31, 2019.

Net Worth

The Net-worth of the company was ₹ (42) Crore at March 31, 2020, as against ₹ 104 Crore at March 31, 2019.

Non-Current Liabilities

Non-current liabilities were ₹ 29 Crore as at March 31, 2020, as compared to ₹ 112 Crore as at March 31, 2019, mainly due to a decrease in Bank borrowings by ₹ 76 Crore.

Net Borrowings

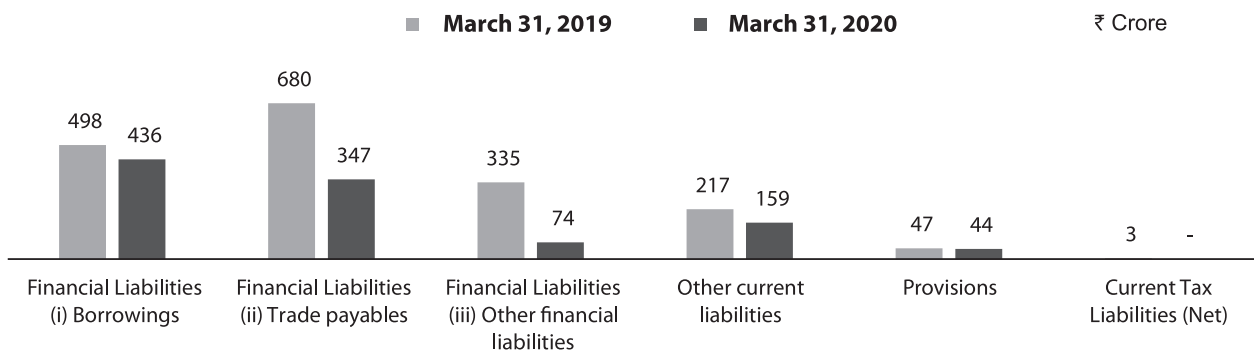
Net borrowings were ₹ 427 Crore as at March 31, 2020, as compared to ₹ 659 Crore as at March 31, 2019. Lower

borrowings were driven by proceeds from the sale of Singapore services business, the release of working capital in the Distribution business and lower Cash, Bank & Investments.

| Particulars | ₹ Crore | |
|---------------------------------|----------------|----------------|
| | March 31, 2020 | March 31, 2019 |
| Borrowings | 505 | 899 |
| Less : Cash, Bank & Investments | 78 | 240 |
| Net Borrowings | 427 | 659 |

Current Liabilities

Current liabilities were ₹ 1,060 Crore as at March 31, 2020, as compared to ₹ 1,781 Crore as at March 31, 2019. The details are as follows:



- **Financial Liabilities (ii) Trade Payable** lower as on March 31, 2020, mainly in the Distribution business.
- **Financial Liabilities (iii) Other Financial Liabilities** includes current maturities of long term debts, Employee benefits payable, Deposits, Interest accrued but not due on borrowings, etc.
- **Other Current Liabilities** includes deferred revenue, advances received from customers, statutory dues payable, etc.

CASH FLOW STATEMENT

A summary of the cash statement is given below:

₹ Crore

| Particulars | FY 20 | FY 19 |
|---|-----------|-----------|
| Opening balance of cash and cash equivalents | 90 | 116 |
| Net Cash Flow from Operating Activities | 62 | 441 |
| Net Cash Flow from Investing Activities | 393 | 11 |
| Net cash flow from financing activities | (490) | (478) |
| Cash and cash equivalents at the end of the year | 55 | 90 |

Cash flow from operations

In FY 20, the Company generated ₹ 62 Crore from operations as against ₹ 441 Crore in FY 19. In FY 19, higher cash flows were due to release of working capital, deployed earlier during FY18 in the Consumer Distribution business

₹ Crore

| Particulars | FY 20 | FY 19 |
|---|-----------|------------|
| Operating profit before changes in operating assets and liabilities | (81) | 5 |
| Changes in operating assets and liabilities | 152 | 426 |
| Cash generated from operations | 71 | 431 |
| Tax payments made | (9) | 10 |
| Net cash generated/(used) in operating activities | 62 | 441 |

Cash flow from investing activities

In FY 20, the Company generated ₹ 393 Crore from investing activities as against ₹ 11 Crore in FY 19. The cash generation in FY 20 comprised of mainly proceeds from the sale of Singapore Services ₹ 196 Crores, the redemption of Bank Deposits ₹ 129 Crores, proceeds from Subsidiary sale ₹ 49 Crore, Interest income ₹ 6 Crores and others ₹ 13 Crores.

Cash flow from financing activities

In FY 20, the Company used ₹ 490 Crore for financing activities (mainly for loan repayment and interest payment) as against cash used of ₹ 478 Crore in FY 19.

SEGMENT PERFORMANCE

Segment Revenue

₹ Crore

| Particulars | FY 20 | FY 19 |
|-----------------------------------|--------------|--------------|
| - Hardware Products and Solutions | 154 | 158 |
| - Services * | 264 | 516 |
| - Distribution | 1,656 | 3,722 |
| - Learning | 5 | 10 |
| Less : Intersegment Eliminations | (0) | (15) |
| Total | 2,079 | 4,392 |

Hardware Products and Solutions

Hardware Products & Solution business comprises of large system integration projects to enterprise and government customers.

Segment revenue in FY 20 was ₹ 154 Crore as against ₹ 158 Crore in FY 19.

Segment PBIT in FY 20 was ₹ (80) Crore as against ₹ (73) Crore in FY 19.

Segment assets were ₹ 365 Crore as at March 31, 2020, as against ₹ 582 Crore as at March 31, 2019, and Segment liabilities were ₹ 306 Crore as at March 31, 2020, as against ₹ 383 Crore as at March 31, 2019. The reduction in Segment assets was primarily due to a reduction in trade receivables.

Services

*Services business is considered as discontinued operations.

Segment revenue in FY 20 was ₹ 264 Crore as against ₹ 516 Crore in FY 19. Revenue was lower due to discontinued operations of Domestic Enterprise Services, Care businesses and Middle East Asia Services in FY 19 and Singapore Services business in FY 20.

Segment PBIT in FY 20 was Nil as against ₹ 43 Crore in FY 19.

Segment assets were Nil as at March 31, 2020, as against ₹ 237 Crore as at March 31, 2019, and Segment liabilities were Nil as at March 31, 2020, as against ₹ 80 Crore as at March 31, 2019.

Distribution

The distribution segment consists of the distribution of (a) Consumer Products including telecommunication, digital lifestyle and consumer electronic products (b) Enterprise products including IT products, Enterprise software and Office Automation products

Segment revenue in FY 20 was ₹ 1,656 Crore as against ₹ 3,722 Crore in FY 19. Consumer Distribution revenue was ₹ 573 Crore in FY20 vs. ₹ 2,018 Crore in FY19 and Enterprise Distribution revenue was ₹ 1,083 Crore in FY20 vs. ₹ 1,704 Crore in FY19.

Segment PBIT in FY 20 was ₹ (60) Crore as against ₹ 13 Crore in FY 19. FY20 PBIT was lower due to lower revenue, lower Gross Margin percentage due to market competition and provision for doubtful Vendor Recoverable.

Segment assets were ₹ 379 Crore as at March 31, 2020, as against ₹ 695 Crore as at March 31, 2019, and Segment liabilities were ₹ 209 Crore as at March 31, 2020, as against ₹ 503 Crore as at March 31, 2019. Segment assets & liabilities as on March 31, 2020, were lower mainly due to scaling down of Distribution business.

Learning

Segment revenue in FY 20 was ₹ 5 Crore mainly as against ₹ 10 Crore in FY 19. This revenue was because of outright content sale.

Segment PBIT in FY 20 was ₹ 6 Crore as against ₹ 11 Crore in FY 19. PBIT was lower due to lower revenue.

Segment assets were ₹ 2 Crore as at March 31, 2020, as against ₹ 3 Crore as at March 31, 2019, and Segment liabilities were ₹ 4 Crore as at March 31, 2020, as against ₹ 6 Crore as at March 31, 2019.

KEY FINANCIAL RATIOS:

₹ Crore

| Particulars | FY20 | FY 19 |
|-----------------------------|-------|-------|
| Debtors Turnover (Days) | 39.0 | 53.6 |
| Inventory Turnover (Days) | 5.6 | 9.0 |
| Current Ratio (times) | 0.6 | 0.8 |
| Operating Profit Margin (%) | -4.8% | -1.9% |
| Net Profit Margin (%) | -7.5% | -3.5% |

- Debtors Turnover days were at 39.0 as at March 31, 2020, as against 53.6 as at March 31, 2019, due to lower Debtors in Hardware Products and Solutions and Distribution business.

- Inventory Turnover days were at 5.6 as at March 31, 2020, as against 9.0 as at March 31, 2019, due to lower Inventory.
- Debt Equity Ratio was at negative as on March 31, 2020, due to negative Net-worth as against 8.6 as on March 31, 2019.
- Operating Profit Margin was at (4.8%) as on March 31, 2020, as against (1.9%) as on March 31, 2019, due to lower revenue in FY 20.
- Interest coverage was negative because of negative EBIT in FY18 & FY19.
- Net Profit Margin was (7.5%) for FY20 as against (3.5%) for FY19 due to lower revenue in FY 20.

Annual Report On Corporate Social Responsibility

Introduction

Corporate Social Responsibility (CSR) at HCL Infosystems Limited is inspired by a vision of National transformation with strong commitment to sustainable growth. The Company believes that creating shared value with stakeholder and communities shall enable drivers of growth.

The CSR policy is available on the website of the Company: <https://www.hclinfosystems.in/investors/>

Statement on non-discriminatory employment policy of the business entity

Equal Opportunities & Non Discrimination Policy:

According to this policy, HCL Infosystems does not discriminate against any employee or job applicant on the basis of race, color, religion, gender, age, sexual orientation, nationality, pregnancy status, marital status, family status and different ability. All employees or job applicants are judged on the principle of equal employment opportunity.

Initiatives for Affirmative Action

Your Company is working towards ensuring equal opportunities to all sections of the society. As a part of its commitment to 'CII's Affirmative Action Code of Conduct', HCL Infosystems has taken proactive actions to provide equal opportunity for employability, training and mentoring to all sections of the society.

1. The composition of the CSR committee:

The composition of the committee is as under:

| S.No. | Name | Category |
|-------|-------------------------------------|---|
| 1 | Ms. Sangeeta Talwar (Chairperson) | Independent & Non-Executive Director |
| 2 | Mr. Pawan Kumar Danwar (Member) | Non-Independent & Non- Executive Director |
| 3 | Mr. Dilip Kumar Srivastava (Member) | Non-Independent & Non- Executive Director |

2. Average net profit of the company for last three financial years:

The average profit for the last three financial years is negative.

3. Prescribed CSR Expenditure (two per cent of the amount as in item 2 above):

Not required.

4. Details of CSR spent during the financial year:

As the average profit for the last three financial years was negative, there was no spending on CSR.

5. In case the company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board report.

NA

6. A responsibility statement of the CSR committee that the implementation and monitoring of CSR policy, is in compliance with CSR objectives and policy of the Company.

NA

Environment Sustainability Report

Environment Management - Our Commitment to Social Responsibility:

Your Company over the years has integrated and innovated products for its customer's giving key emphasis on product life cycle management, commencing from sourcing, manufacturing to installation and recovery at the end-of-life of the product to ensure protection of the environment, health and safety of all stakeholders. Presently, the company does not manufacture products and is in the distribution of third party OEM computing devices. Your Company believes in building a symbiotic relationship with manufacturers, consumers and recyclers with the aim to promote integration and sustainability in operations so that there is minimum stress on the environment.

Electronic Waste Management:

The key objective of your Company's 'E-Waste Policy' aims at providing efficient services to its past consumers to facilitate recycling of all its end-of-life past manufactured or/and imported Electrical & Electronic Equipment. Waste of Electrical & Electronic Equipment (EEE)/Products has been a subject of concern globally and nationally. Your Company believes that the manufacturers of electronic goods are responsible for facilitating an environment friendly disposal, once the product has reached the end of its life.

Recognizing the need to minimize the hazardous impact of e-waste on the environment, your Company focuses on the recycling of EEE products in an environmentally safe manner.

Separate Collection/Recovery:

Your Company extends the recycling facility to its users regardless of the fact, when and where they have purchased



HCL INFOSYSTEMS

the product. Your Company assures to all its customers that the entire process of recycling/disposal of EEE will be carried out by an authorized recycling agency.

Your company collects old equipment from user's Company's across India. Last year we had collected around 229.66 Tons of e-waste and had successfully disposed it off through our Government approved Authorized Recycler.

Energy Management:

Your Company is evaluating options on how to use more and more renewable sources of energy. The Green Data Center at

Head Office, Noida is the first Data Center Building in India to be a LEED IC PLATINUM certified by the US-Green Building Council.

Sd/-
Mr. Pawan Kumar Danwar
Director

Date:15th June, 2020
Place: Delhi

Sd/-
Ms. Sangeeta Talwar
Chairperson
(CSR Committee)

Board Report

Dear Shareholders,

Your Board of Directors is pleased to present the Thirty Fourth (34th) Annual Report on the Business and Operations of the Company, together with the Audited Accounts for the financial year ended March 31, 2020.

Financial Highlights

The summary of the financial performance of the Company for the Financial Year ended March 31, 2020 as compared to the previous year is as below:

(₹ in Crores)

| Particulars | Consolidated | | Standalone | |
|--|-----------------|----------|-----------------|----------|
| | 2019-20 | 2018-19 | 2019-20 | 2018-19 |
| Continuing operations | | | | |
| Net Sales and other income | 1,891.95 | 3,975.84 | 1,677.78 | 3,641.53 |
| Profit before exceptional items Interest, depreciation and tax | (141.11) | (35.49) | (61.50) | 38.65 |
| Finance charges | 90.43 | 123.04 | 84.27 | 103.37 |
| Depreciation and amortization | 8.80 | 12.08 | 7.41 | 8.38 |
| Exceptional items | 12.75 | - | (101.71) | (133.23) |
| Loss before tax | (227.59) | (170.61) | (254.89) | (206.33) |
| Provision for taxation: current | 0.08 | 0.07 | - | - |
| Deferred tax expenses / (credit) | 62.09 | 2.92 | 63.55 | - |
| Net loss after tax | (289.76) | (173.60) | (318.44) | (206.33) |
| Discontinued operations | | | | |
| Loss before tax | 4.05 | 34.21 | - | - |
| Profit from disposal of discontinued operations | 150.76 | 9.59 | - | - |
| Tax expense / (credit) | 1.38 | 5.40 | - | - |
| Net loss after tax | 153.43 | 38.40 | - | - |
| Net loss after tax | (136.33) | (135.20) | (318.44) | (206.33) |

Performance

The consolidated net revenue (from continuing operations) of the Company for the financial year ended March 31 2020 was ₹ 1,891.95 crores as against ₹ 3,975.84 crores during the previous financial year ended March 31, 2019. The consolidated loss before tax (from continuing operations) for the financial year ended March 31, 2020 was ₹ 227.59 crores as against a loss of ₹ 170.61 crores during the previous financial year ended March 31, 2019.

The net revenue on standalone basis for the financial year ended March 31, 2020 was ₹ 1,677.78 crores as against ₹ 3,641.53 crores during the previous financial year ended March 31, 2019. The loss before tax for the financial year ended March 31, 2020 was ₹ 254.89 crores as against a loss of ₹ 206.33 crores during the previous financial year ended March 31, 2019.

Recommendation of Dividend

Your Board of Directors do not recommend any dividend for the financial year 2019-20.

Operations

A detailed analysis and insight into the financial performance and operations of your Company for the year ended March 31, 2020 is provided in the Management Discussion and Analysis, forming part of the Annual Report.

Due to challenging and competitive market conditions both revenue and margins were impacted adversely in the distribution business. As a result, the Board after taking into consideration the financial position of the Company, recommended that both the Enterprise and Consumer distribution businesses be gradually scaled down over the next few quarters.

During the year under review, the Company sold HCL Insys Pte. Ltd., Singapore to an Independent buyer namely M/s PCCW Solutions Limited, Hong Kong on 15th November, 2019.

There is no change in the authorized share capital of the Company.



HCL INFOSYSTEMS

Transfer to Reserves

In view of losses, no amount is proposed to be transferred to the general reserve of the Company.

Employee Stock Option Plan

Employee Stock Option Scheme 2000

Pursuant to the approval of the Shareholders at an Extra-Ordinary General Meeting held on February 25, 2000 for grant of options to the employees of the Company and its subsidiaries (the Scheme 2000), the Board of Directors had approved the grant of 31,90,200 options including the options that had lapsed out of each grant. Each option confers on the employee a right for five equity shares of ₹ 2/- each.

During the year under review, no shares were allotted under ESOP scheme 2000.

Employee Stock Based Compensation Plan 2005

Pursuant to the approval of Shareholders of the Company through a Postal Ballot, the result whereof was declared on June 13, 2005, the Board of Directors had granted 33,35,487 options including the options that had lapsed out of each grant under the Employee Stock Based Compensation Plan 2005 (the Plan 2005). Each option confers on the employee a right for five equity shares of ₹ 2/- each at the market price as specified in the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999, on the date of grant.

During the year under review, no shares were allotted under ESOP Plan 2005.

Credit Rating

India Ratings and Research (Ind-Ra) has revised its rating of the company from "A- to BBB-/Negative" as long-term issuer rating and from "A1 to A3" as short-term issuer rating, indicating moderate degree of safety regarding timely servicing of financial obligations.

Fixed Deposits

Your Company has not accepted/renewed any deposits from the public during the year. However, there has been a delay in transferring unclaimed matured deposits amounting to ₹ 0.47 Crores to Investor Education and Protection Fund (IEPF), which has been deposited by the Company subsequent to the year end.

Listing

The Equity Shares of your Company are listed at The BSE Limited, Mumbai (BSE) and National Stock Exchange of India Limited, Mumbai (NSE).

| Stock Exchange(s) where HCL Infosystems Ltd.' shares are listed | Scrip Symbol / Code |
|---|---------------------|
| National Stock Exchange of India Limited (NSE) | HCL-INSYS |
| BSE Limited (BSE) | 500179 |

The Company has paid the listing fee for the year 2019-2020 to BSE and NSE.

Directors and Key Managerial Personnel (KMP)

The Board of Directors of the Company has optimum combination of executive and non-executive directors including independent directors and woman directors in compliance with the provisions of the Companies Act, 2013 ('the Act') and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Mr. Rangarajan Raghavan, Managing Director resigned from the position of Managing Director of the Company w.e.f closing hours of March 31, 2020. The Board places on record its appreciation for his contribution made throughout his tenure with the Company.

Ms. Ritu Arora was reappointed as an Independent Director for the second term of 5 years w.e.f April 6, 2020.

In accordance with the provisions of the Companies Act, 2013 and the Articles of Association of the Company, Mr. Dilip Kumar Srivastava, retires from office by rotation at the ensuing Annual General Meeting and being eligible, has offered himself for re-appointment. A brief resume, details of expertise and other directorships/committee memberships held by the above Director, form part of the Notice convening the Thirty fourth Annual General Meeting.

In terms of the provision of Section 149, 152(6) and other applicable provisions of the Companies Act, 2013, an Independent Director shall hold office up to a term of five consecutive years on the Board of the Company and shall not be liable to retire by rotation.

Committees of Board

Currently, the Board has 5 (Five) Committees: Accounts and Audit Committee, Nomination & Remuneration Committee, Stakeholders Relationship Committee, Corporate Social Responsibility (CSR) Committee and Finance Committee. A detailed note on Committees is provided in the Corporate Governance Report.

Annual Evaluation of the Board, its Committees and Individual Directors

Pursuant to the provisions of Sections 178 and 134 read with Schedule IV of the Companies Act, 2013 and Regulation 17(10) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board of Directors conducted a formal annual performance evaluation of its own performance, the Committees of the Board and each individual Director.

The Company had appointed an external agency to initiate the online board evaluation of the Board, Committees and Individual Directors including Independent Directors, as per the assessment criteria and norms designed by the Company's Human Resource Department. The report content and quality was reviewed by an Independent HR consultant, who shared the results with the Board Chairman – Dr. Nikhil Sinha.

Independent Directors in their separate meeting held through Video Conferencing have reviewed the performance of non-independent directors and the Board as a whole. They also reviewed the performance of the Chairperson of the Company.

Criteria/Policy on Appointment and Remuneration

The Company believes that a diverse Board will be able to leverage different skills, qualifications, professional experiences which is necessary for achieving sustainable and balanced development. In accordance with the provisions of Section 178 of the Companies Act, 2013 and Part D of Schedule II of the Listing Regulations, the Company has adopted the policy on Nomination and Remuneration of Directors (Executive, Non-Executive and Independent), Key Managerial Personnel (KMPs), Senior Management and other Employees of your Company. The policy also specifies the criteria for determining qualifications, positive attributes and independence of a Director. The policy is available on the website of the Company and can be assessed at <http://www.hclinfosystems.com/investors/>.

Board Meetings

During the financial year 2019-20, 9 (Nine) Board Meetings were held and the gap between two meetings did not exceed one hundred and twenty days. The details of Board Meetings held are stated in the Corporate Governance Report.

Corporate Social Responsibility (CSR)

A report on Corporate Social Responsibility (CSR) is attached as Annexure to this Report.

Corporate Governance Report and Management Discussion and Analysis Statement

The Corporate Governance Report and the Management Discussion and Analysis Statement are attached and are to be read with the Board Report.

Insider Trading Regulations

As per the requirements under the SEBI (Prohibition of Insider Trading) Regulations, 2015, the Company had adopted the 'Code of Conduct for Internal Procedures and to Regulate, Monitor and Report Trading by Insiders' and the 'Code of Fair Disclosure' w.e.f. May 15, 2015, which were amended in line with Securities and Exchange Board of India (Prohibition of Insider Trading) (Amendment) Regulations, 2018 effective from April 1, 2019.

Directors' Responsibility Statement

Pursuant to the requirement of Section 134(3)(c) of the Companies Act, 2013, and based on the representations received from the operating management, the Directors hereby confirm that:

- in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- the directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
- the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

- the annual accounts have been prepared on a going concern basis;
- the directors had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively;
- the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Statement on Declaration given by Independent Directors

All Independent Directors have given declarations to the effect that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013.

Particulars of Employees and related disclosures

The information required under Section 197 of the Act read with rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are given below:

(a) The ratio of the remuneration of each director to the median remuneration of the employees of the Company for the financial year:

| Non-Executive Directors | Ratio to median remuneration | Remuneration (₹) |
|----------------------------|------------------------------|------------------|
| Dr. Nikhil Sinha | - | - |
| Ms. Sangeeta Talwar | - | - |
| Mr. Kaushik Dutta | - | - |
| Mr. Pawan Kumar Danwar | - | - |
| Mr. Dilip Kumar Srivastava | - | - |
| Ms. Ritu Arora | - | - |

| Executive Director | Ratio to median remuneration | Remuneration |
|--------------------------|------------------------------|--------------|
| Mr. Rangarajan Raghavan* | 13.35 | 1,45,52,818 |

Note:

*Mr. Rangarajan Raghavan had resigned from the position of Managing Director of the Company w.e.f the closing hours of March 31, 2020.

(b) The percentage increase in remuneration of each Director, Chief Executive Officer, Chief Financial Officer, Company Secretary in the financial year:

| S. No. | Name | Designation | Remuneration paid (2019-20) | Percentage increase |
|--------|--------------------------|-------------------------|-----------------------------|---------------------|
| 1 | Mr. Rangarajan Raghavan* | Managing Director | 1,45,52,818 | NA** |
| 2 | Mr. Kapil Kapur | Chief Financial Officer | 1,26,85,733 | NA** |
| 3 | Mr. Sushil Kumar Jain | Company Secretary | 57,08,826 | 1.8 |

Note:

*Mr. Rangarajan Raghavan had resigned from the position of Managing Director of the Company w.e.f the closing hours of March 31, 2020.

**Remuneration received in FY 2019-2020 is not comparable with remuneration received in FY 2018-2019 due to payment of long term incentive in FY 2018-2019, hence not stated.

(c) The percentage increase in the median remuneration of employees in the financial year:

The percentage increase in the median remuneration of the employees in the financial year 2019-20 was 7.2% as compared to 11% in financial year 2018-19.

(d) The number of permanent employees on the rolls of Company:

The number of permanent employees on the rolls of the Company at the end of the financial year was 719.

(e) Average percentile increases already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration:

- The Average Annual increase was around 6.3%
- The average annual increase in the managerial remuneration has been around 11.6% in the financial year under review.

(f) Affirmation that the remuneration is as per the remuneration policy of the Company:

The Company affirms remuneration is as per the remuneration policy of the Company.

Annual Report is being sent to the members of the Company excluding the information under Rule 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. Any member interested in obtaining the said information may write to the Company Secretary at the registered office of the Company.

Particulars of Loans, Guarantees or Investments

Details of Loans, Guarantees and Investments covered under the provisions of Section 186 of the Companies Act, 2013 are given in the notes to the Financial Statements.

Related Party Transactions

All the related party transactions were in the ordinary course of business and at arm's length. The Audit Committee has approved all related party transactions under the provisions of Section 188 of the Companies Act, 2013 and other applicable sections of the Companies Act, 2013 read with relevant rules for the financial year 2019-20. The Company had not entered into any contract / arrangement / transaction with related parties which could be considered material in accordance with the policy of the Company on materiality of related party transactions. The Company has employed an external firm of Chartered Accountants to review and evaluate the basis of

such agreements and opine on their fairness.

Policy on dealing with related party transactions is available on the website of the Company <https://www.hclinfosystems.in/investors/>

Internal Control Systems

The Company has put in place controls commensurate with the size and nature of Operations. These have been designed to provide reasonable assurance with regards to recording and providing reliable financial and operational information, complying with applicable statutes, safeguarding assets from unauthorized use or losses, executing transactions with proper authorization and ensuring compliance of corporate policies.

The company has an internal audit function designed to review the adequacy of internal control checks in the system which covers all significant areas of the Company's Operations such as Accounting and Finance, Procurement, Business Operations, Statutory compliances, IT Processes, Safeguarding of Assets and their protection against unauthorized use, among others. The Internal Audit function performs the internal audit of the Company's activities based on internal audit plan, which is reviewed each year and approved by the Board Audit Committee. The Audit Committee reviews the reports submitted by internal auditors. Suggestions for improvements are considered and the Audit Committee follows up on corrective action. Disciplinary action is taken, wherever required, for non-compliance to corporate policies and controls.

Vigil Mechanism/Whistle Blower Policy

Pursuant to the provisions of Section 177(9) & (10) of the Companies Act, 2013 and Regulation 22 of the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015, the Company had adopted a Vigil Mechanism/ Whistle Blower Policy for Directors and employee to report concerns about unethical behavior, actual or suspected fraud or violation of the Company's code of conduct or ethics policy. No person has been denied access to the Chairman of the Audit Committee. The said Policy is posted on the website of the Company and can be assessed at <http://www.hclinfosystems.com/investors/>.

Policy against Sexual Harassment

The organization endeavors to ensure a safe, protected and congenial work environment where employees deliver their best without any inhibition, threat or fear. Hence the prevention of sexual harassment at workplace policy has been implemented.

The Company has put in place a 'Policy on Prevention and Redressal of Sexual Harassment at Workplace under the name of 'With You'. As per the policy, any employee may report his/her complaint to the supervisor or HR representative or member of the Committee or to the With You email id 'withyou@hcl.com', in writing as mentioned.

The Committee would then investigate and submit its report within 90 working days. We affirm that adequate access was provided to any complainant who wished to register a complaint under the policy, during the year.

Risk Management Policy

The Board of the Company has adopted a risk management policy for reviewing the risk management plan and ensuring its effectiveness. The audit committee has additional oversight in the area of financial risks and controls. Major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuing basis, including aligning the internal audit functions to areas of key risks.

The development and implementation of risk management policy has been covered in the management discussion and analysis, which forms part of this report.

Auditors & Auditors' Report**Statutory Auditors**

As per Section 139 of the Act read with the Companies (Audit and Auditors) Rules, 2014, the Members of the Company in its 31st Annual General Meeting held on September 14, 2017 approved the appointment of M/s BSR & Associates LLP, Chartered Accountants (FRN – 116231W/W-100024), as the Statutory Auditors of the Company for an initial term of 5 years i.e. from the conclusion of 31st Annual General Meeting till the conclusion of 36th Annual General Meeting of the Company.

The Report given by M/s BSR & Associates LLP, Chartered Accountants on the financial statements of the Company for the financial year 2019-20 is part of the Annual Report. There was no qualification, reservation or adverse remark or disclaimer in their Report. During the year under review, the Auditors have not reported any matter under Section 143 (12) of the Act, therefore no detail is required to be disclosed under Section 134 (3) of the Act.

Secretarial Audit

The secretarial audit as per Section 204 of the Companies Act, 2013 read with Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and the Regulation 24A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 was carried out by M/s. V K C & Associates, Practicing Company Secretaries for the financial year 2019-20. The Reports given by the Secretarial Auditor are annexed and forms an integral part of this Board's Report. *The Secretarial Auditor during the audit has mentioned the following instances as mentioned below:*

1. *Subject to the provisions of Section 178 (1) of the Act and Regulation 19(2) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015 (SEBI LODR), the Company had appointed Mr. Nikhil Sinha (Chairman of Company) as the Chairman of Nomination and Remuneration Committee w.e.f 13th May 2019 till 30th July 2019. In this regard both the Stock Exchange(s) i.e NSE and BSE have imposed penalties for the contravention of the Regulation 19(2) of SEBI LODR, which have also been paid by the Company during the period under review.*

In this regard it is clarified that the Company had compounded by payment of fee to NSE/BSE under Standard Operating Procedures (SOP) guidelines of SEBI. The Stock exchange letters were placed before the Board and Board noted the same. .

Further, the composition of the Nomination and Remuneration Committee was revised in compliance with the provisions of Section 178 (1) of the Act and Regulation 19(2) of the SEBI LODR).

2. *Subject to the Compliance of sub rule (3) of Rule 6 of Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules 2016 and Regulation 30, read with PART A of Schedule III of SEBI LODR, 2015. In this regard, the management has informed us that the necessary notice has been published, however they are not able to provide persuasive evidence due to limited access of the records owing to COVID-19 lockdown and as such no further comments.*

Company took necessary action to publish the advertisement, however Company could not furnish the documents amidst of COVID-19 pandemic.

3. *Subject to the sub section (5) of Section 124 and any other applicable provisions of the Act, there has been a delay in transferring unclaimed matured deposits amounting to ₹ 47.30 Lakhs to Investor Education and Protection Fund (IEPF), which has been deposited by the Company subsequent to the year end.*

Company submits, since it was a case of matured deposit for which no claimant reported to the Company and was lying bonafide with Company which has now been transferred to the Investor Protection and Education Fund (IEPF) account.

During the year under review, the Secretarial Auditors had not reported any matter under Section 143 (12) of the Act, therefore no detail is required to be disclosed under Section 134 (3) of the Act. In terms of Section 204 of the Act, read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Accounts & Audit Committee recommended and the Board of Directors appointed M/s. V K C & Associates, Practicing Company Secretaries as the Secretarial Auditors of the Company in relation to the financial year 2020-21. The Company has received their written consent that the appointment is in accordance with the applicable provisions of the Act and rules framed thereunder.

Compliance with Secretarial Standards

The Company is in compliance with the applicable Secretarial Standards as issued and amended by The Institute of Company Secretaries of India (ICSI), from time to time.

Additional information relating to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

The information on conservation of energy, technology absorption and foreign exchange earnings and outgo stipulated under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8 of The Companies (Accounts) Rules, 2014, is attached as Annexure to this Report.

Consolidated Financial Statement

In accordance with the Companies Act, 2013 ('the Act') and Accounting Standard (AS) - 21 on Consolidated Financial Statements read with AS - 23 on Accounting for Investments in

Subsidiaries/Associates/JVs and AS - 27 on Financial Reporting of Interests in Joint Ventures, the audited consolidated financial statement is provided in the Annual Report.

Subsidiaries, Joint Ventures and Associate Companies

During the year under review, the Company has sold HCL Insys Pte. Ltd., Singapore to an Independent buyer namely M/s PCCW Solutions Limited, Hong Kong on 15th November, 2019.

Policy for determining material subsidiaries of the Company is available on the website of the Company at <https://www.hclinfosystems.in/investors/>.

Annual Return

As per the provision of Section 134(3)(a) of the Act, the Annual Return is put up on the Company's website and can be accessed at <https://www.hclinfosystems.in/investors/>.

Investor Education and Protection Fund (IEPF)

Pursuant to the applicable provisions of the Companies Act, 2013, read with the IEPF Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ('the Rules'), all unpaid or unclaimed dividends are required to be transferred by the Company to the IEPF established by the Central Government, after the completion of seven years. Further, according to the Rules, the shares in respect of which dividend has not been paid or claimed by the shareholders for seven consecutive years or more have also been transferred to the demat account created by the IEPF Authority. Accordingly, the Company has

transferred the unclaimed and unpaid dividends along with the corresponding shares that become due to transfer during the FY 2019-20.

Significant and Material Orders Passed by the Regulators or Courts

There are no significant material orders passed by the Regulators / Courts except the error in composition of the Nomination & Remuneration Committee (NRC) in the financial year 2019-20, which has been compounded by payment of fee to NSE/BSE under Standard Operating Procedures (SOP) guidelines of SEBI.

Acknowledgements

The Directors place on record their appreciation for the continued co-operation extended by all stakeholders including various departments of the Central and State Government, Shareholders, Investors, Bankers, Financial Institutions, Customers, Dealers and Suppliers.

The Board also places on record its gratitude and appreciation of the committed services of the executives and employees of the Company.

On behalf of the Board of Directors
Nikhil Sinha
(Chairman)

Place: US
Date: 15th June, 2020

Annexure to Board's Report

The information on conservation of energy, Research and Development and foreign exchange earnings and outgo stipulated under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8 of The Companies (Accounts) Rules, 2014

A. Conservation of Energy

Your Company has executed measures at its facilities to reduce power consumption. By generating awareness about Energy Conservation amongst employees and by consolidation of various offices/shifting to Business Centers, we were able to save approximately 1.73 Lakh units of electrical energy during the whole financial year 2019-2020.

B. Research & Development

1. Expenditure on R & D (Consolidated)

| | | |
|--------------|---|--------------|
| | | (₹ / Crores) |
| Capital | : | NIL |
| Revenue | : | NIL |
| Total | : | NIL |

2. Foreign Exchange earnings and outgo

During the year under review, the Company's Standalone earnings in foreign currency were ₹ 3.29 Crores (Previous period ₹ 0.34 Crores). The Standalone expenditure in foreign currency including imports during the year amounted to ₹ 181.62 Crores (Previous period ₹ 207.27 Crores).

Information Regarding Employee Stock Option Scheme

The details of the options granted under the HCL Infosystems Limited, Employee Stock Option Scheme 2000 (Scheme 2000) and Employee Stock Based Compensation Plan 2005 (Scheme 2005) as on 31st March, 2020 are given below:-

Employee Stock Option Scheme 2000 (Scheme 2000)

Options Granted : 31,90,200 which confer a right to get 1 equity share of ₹10/- each (each equity share of the face value of ₹ 10/- has been sub divided into five equity shares of ₹ 2/- each).

Pricing Formula : The members of the Company at the Extra Ordinary General Meeting held on 25th February, 2000 approved the exercise price as the price which will be not less than 85% of the fair market value of the shares on the date on which the Board of Directors of the Company approved the Grant of such options to the employees or such price as the Board of Directors may determine in accordance with the regulations and guidelines prescribed by the Securities and Exchange Board of India (SEBI). The members of the Company at the Annual General Meeting held on 21st October, 2004, approved the amendment to the pricing formula that the options granted but not yet exercised by the employees or options that would be granted in future, would be at the market price on the date of grant. For this purpose the market price as specified in the amended provisions of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the regulations/guidelines prescribed by SEBI or any relevant authority, from time to time to the extent applicable.

Variance of terms of options : The pricing formula has been amended that the options granted but not yet exercised by the employees or options that would be granted in future, would be at the market price. For this purpose, the market price means the market price as specified in the amended provisions of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the regulations/guidelines prescribed by SEBI or any relevant authority, from time to time to the extent applicable.

Options Details :

| Date of Grant | Grant Price (₹) | Options Vested till 31/03/2020 | Options Exercised till 31/03/2020 | Options Lapsed/ Forfeited during year ended 31/03/2020 | Options in force as on 31/03/2020 |
|---------------|-----------------|--------------------------------|-----------------------------------|--|-----------------------------------|
| 10-Aug-00 | 289.00 | Fully vested | 13,63,708 | - | - |
| 28-Jan-04 | 538.15 | Fully vested | 8,44,093 | - | - |
| 25-Aug-04 | 603.95 | Fully vested | 57,892 | - | - |
| 18-Jan-05 | 809.85 | Fully vested | 39,977 | - | - |
| 15-Feb-05 | 809.30 | Fully vested | 2,400 | - | - |
| 15-Mar-05 | 834.40 | Fully vested | 3,794 | - | - |
| 15-Apr-05 | 789.85 | Fully vested | 960 | - | - |
| 14-May-05 | 770.15 | Fully vested | 970 | - | - |
| 15-Jun-05 | 756.15 | Fully vested | 3,565 | - | - |
| 15-Jul-05 | 978.75 | Fully vested | 1,318 | - | - |
| 13-Aug-05 | 1144.00 | Fully vested | - | - | - |
| 15-Sep-05 | 1271.25 | Fully vested | - | - | - |
| 15-Mar-07 | 648.75 | Fully vested | 7,300 | - | - |
| 23-Jan-08 | 898.25 | Fully vested | - | - | - |
| 18-Aug-09 | 627.25 | Fully vested | - | - | - |
| 26-Oct-10 | 586.75 | Fully vested | - | - | - |
| 2-Feb-11 | 516.50 | Fully vested | - | - | - |
| 30-Jan-12 | 233.25 | Fully vested | - | - | - |
| 18-Jun-12 | 202.00 | Fully vested | - | - | - |
| 9-Sep-13 | 132.00 | Fully vested | 6,000 | - | - |
| 18-Sep-14 | 380.00 | Fully vested | - | - | - |
| 21-Nov-14 | 363.75 | 3,000 | - | - | - |
| Total | | | 23,31,977 | - | - |

Vesting Details : 30%-12 months after the grant date
 30%- 24 months after the grant date
 40%- 42 months after the grant date

Employee Stock Based Compensation Plan 2005 (Scheme 2005)

Options Granted : 33,35,487 which confer a right to get 5 equity shares of ₹ 2/- each.

Pricing Formula : As per the resolution passed by members of the Company, through postal ballot, the result whereof was declared on 13th June, 2005, the options are granted at the market price on the date of grant or such price as the Board of Directors may determine in accordance with the Regulations and Guidelines prescribed by SEBI or other relevant authority from time to time. For this purpose, the market price as specified in the amended provisions of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the regulations/guidelines prescribed by SEBI or any relevant authority from time to time to the extent applicable.

Variance of terms of options : No variation made.

| Options Details : | Date of Grant | Grant Price (₹) | Options Vested till 31/03/2020 | Options Exercised till 31/03/2020 | Options Lapsed/ Forfeited during year ended 31/03/2020 | Options in force as on 31/03/2020 |
|--------------------------|----------------------|------------------------|---------------------------------------|--|---|--|
| | 13-Aug-05 | 1144.00 | Fully vested | 9,074 | - | - |
| | 19-Oct-05 | 1157.50 | Fully vested | - | - | - |
| | 15-Nov-05 | 1267.75 | Fully vested | - | - | - |
| | 15-Dec-05 | 1348.25 | Fully vested | - | - | - |
| | 14-Jan-06 | 1300.00 | Fully vested | - | - | - |
| | 15-Feb-06 | 1308.00 | Fully vested | - | - | - |
| | 16-Mar-06 | 1031.00 | Fully vested | - | - | - |
| | 17-Apr-06 | 868.75 | Fully vested | - | - | - |
| | 15-May-06 | 842.50 | Fully vested | - | - | - |
| | 15-Jun-06 | 620.50 | Fully vested | 430 | - | - |
| | 17-Jul-06 | 673.75 | Fully vested | 80 | - | - |
| | 15-Mar-07 | 648.75 | Fully vested | 7,860 | - | - |
| | 23-Jan-08 | 898.25 | Fully vested | - | - | - |
| | 16-Aug-11 | 375.00 | Fully vested | - | - | - |
| | 17-Aug-11 | 375.00 | Fully vested | - | - | - |
| | 18-Jun-12 | 202.00 | Fully vested | - | - | - |
| | 30-Jan-13 | 186.00 | Fully vested | 20,000 | - | - |
| | 14-Feb-13 | 178.00 | Fully vested | - | - | - |
| | 10-May-13 | 187.00 | 2,000 | 2,000 | - | - |
| | Total | | | 39,444 | - | - |

Vesting Details : 20%-12 months after the grant date
 20%- 24 months after the grant date
 20%- 36 months after the grant date
 20%- 48 months after the grant date
 20%- 60 months after the grant date

Other Details

| S. No. | Description | Scheme 2000 | Scheme 2005 |
|---------------|---|--|---|
| 1. | Total number of shares arising as a result of exercise of options : | 1,16,59,885 equity shares of ₹ 2/- each | 197,221 equity shares of ₹2/- each |
| S. No. | Description | Scheme 2000 | Scheme 2005 |
| 2. | Money realised by exercise of options : | ₹ 93,18,26,384.15 | ₹ 1,98,94,774.80 |
| 3. | Weighted average exercise price of options granted (₹) : | ₹ 653.85 | ₹ 1044.55 |
| 4. | Weighted average fair value of options granted (₹) : | ₹ 84.90 | ₹ 148.95 |
| 5. | Employee-wise details of options granted to: | | |
| | (i) Senior Management : | | |
| | • Mr. Sutikshan Naithani | - | 20,000 |
| | • Mr. Sushil Kumar Jain | - | 2,500 |
| | (ii) Employees holding 5% or more of the total number of options granted during the year : | NIL | NIL |
| | (iii) Identified employees who were granted options during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant | NIL | NIL |

ESOP Certificate

Independent Auditors' Report on compliance of regulation for Employee Stock Option Scheme (ESOS) under the Securities Exchange Board of India (Share Based Employee Benefits) Regulations, 2014.

To the Members of HCL Infosystems Limited

1. This report is issued in accordance with the terms of our engagement letter dated 26 November 2018 and addendum to engagement letter dated 4 May 2020.
2. The Report contains details of compliance of regulations for the Employees Stock Option Scheme ("ESOS") by HCL Infosystems Limited ("the Company") for the year ended March 31, 2020 in accordance with the Securities Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 ("SEBI Regulations").

Managements' Responsibility

3. The compliance of the regulations of SEBI Regulations is the responsibility of the Management.
4. The Management is also responsible for ensuring that the Company complies with the provisions of the regulations notified by the SEBI Regulations and provides all relevant information to the Securities and Exchange Board of India. The management shall comply with the provisions which shall be implemented in a manner so as to achieve the objectives of the principles.
5. The Management is responsible for maintaining the relevant information and documents, which are required to be kept and maintained under the relevant laws and regulations, implementing the ESOS in accordance with the SEBI Regulations and establishing and maintaining effective internal control for properly recording the information related to the ESOS in the records maintained by the Company.

Auditor's Responsibility

6. Pursuant to the requirements and compliance of the SEBI Regulations, it is our responsibility to obtain reasonable assurance and form an opinion as to whether the Company has implemented the ESOS in accordance with the SEBI Regulations, establishing and maintaining effective internal control for properly recording the information related to the ESOS in the records maintained by the Company and complies with the conditions and provisions of the regulations notified by the SEBI Regulations.
7. We conducted our examination in accordance with the Guidance Note on Reports or Certificates for Special Purposes, ("the Guidance Note"), issued by the Institute of Chartered Accountants of India ("ICAI"). The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.
8. We have complied with the requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements, issued by the ICAI.

Opinion

9. Based on our examination as above, and the information and explanation given to us, since the Company had previously granted options to eligible employees under the Employee Stock Option Scheme 2000 and Employee Stock Based Compensation Plan 2005, which were to be vested in a graded manner over a period of 42 and 60 months respectively from the date of grant and are to be exercised with in a maximum period of 5 years from the date of vesting. In the previous years, these options have already been exercised /surrendered/ expired and there is no option liability as on 31 March 2020. Accordingly, for the current year, we are not required to express any opinion with respect to ESOS scheme and in its compliance with the provisions of SEBI regulation.

Restrictions on Use

10. This report is addressed to and provided to the members of the Company solely for the purpose to enable comply with the SEBI Regulations and should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come without our prior consent in writing.

For B S R & Associates LLP

Chartered Accountants

ICAI Firm Registration No: 116231W/W-100024

Sandeep Batra

Partner

Membership No.: 093320

UDIN No. 20093320AAAAV8150

Place : New Delhi

Date: 15 June 2020

Report On Corporate Governance

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

The Company firmly believes that good corporate governance practices ensure efficient conduct of the affairs of the Company, while upholding the core values of transparency, integrity, honesty and accountability, and help the Company in its goal to maximize value for all its stakeholders.

The Company adopts and adheres to the best recognized corporate governance practices and continuously strives to better them.

The Company is in compliance with the requirements of the guidelines on corporate governance, as stipulated in the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

2. BOARD OF DIRECTORS:

- (i) As on 31st March, 2020, the Board of Directors of the Company comprises seven Directors, of which, six are Non-Executive Directors and four Independent Directors, including two women Directors. The composition of the Board is in conformity with Regulation 17(1) and 17(A) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. Mr. Rangarajan Raghavan, resigned from the directorship of the Company w.e.f. closing hours of 31st March, 2020 for personal reasons.
- (ii) None of the Directors on the Board is a member of more than ten Committees or Chairman of more than five Committees as specified in Regulation 26(1) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 across all the public companies in which he is a Director. Necessary disclosures regarding Committee position in other public companies as on 31st March, 2020 have been made by the Directors.
- (iii) All the Independent Directors have confirmed that they meet the criteria as mentioned under Regulation 16(1)(b) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Section 149 of the Companies Act, 2013 (Act). In the opinion of the Board, all the Independent Directors fulfil the conditions specified in the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and are independent of the management. The maximum tenure of Independent Directors is in accordance with the Act.
- (iv) The names and categories of the Directors on the Board, their attendance at Board Meetings held during the financial year 2019-20 and the last Annual General Meeting, and the number of Directorship and committee chairmanship/ membership held by them in other public companies is given below. Other Directorship do not include that of private limited companies, foreign companies and companies incorporated under Section 8 of the Companies Act, 2013. Chairmanship/membership of Board Committees includes only Audit Committee and Stakeholders' Relationship Committee.

| Names | Category | No. of Board Meetings during 2019-20 | | Whether attended last AGM held on September 16, 2019 | No. of Directorships in other public companies as on March 31, 2020 | Name of listed company and the category of directorship as on March 31, 2020 | No. of Committee positions held in other public companies as on March 31, 2020 | |
|--|--------------------------------------|--------------------------------------|----------|--|---|--|--|--------|
| | | Held | Attended | | | | Chairman | Member |
| Dr. Nikhil Sinha (Chairman) | Independent & Non-executive Director | 9 | 7 | Yes | 2 | - | - | - |
| Mr. Rangarajan Raghavan* (Managing Director) | Executive Director | 9 | 9 | Yes | 3 | - | - | - |
| Mr. Kaushik Dutta | Independent & Non-executive Director | 9 | 9 | Yes | 6 | 1. New Delhi Television Limited (Independent Director) 2. Newgen Software Technologies Limited (Independent Director) | - | 2 |
| Ms. Ritu Arora** | Independent & Non-executive Director | 9 | 7 | Yes | 4 | - | - | 2 |

| Names | Category | No. of Board Meetings during 2019-20 | | Whether attended last AGM held on September 16, 2019 | No. of Directorships in other public companies as on March 31, 2020 | Name of listed company and the category of directorship as on March 31, 2020 | No. of Committee positions held in other public companies as on March 31, 2020 | |
|----------------------------|--|--------------------------------------|----------|--|---|---|--|--------|
| | | Held | Attended | | | | Chairman | Member |
| Ms. Sangeeta Talwar | Independent & Non-executive Director | 9 | 9 | No | 7 | 1. Glaxo Smith Kline Consumer Health Care Limited (Independent Director) 2. TCNS Clothing Co. Limited (Independent Director) 3. Castrol India Limited (Independent Director) 4. Mahindra Holidays & Resorts India Limited (Independent Director) | 1 | 5 |
| Mr. Dilip Kumar Srivastava | Non-independent & Non-executive Director | 9 | 9 | Yes | 3 | - | - | - |
| Mr. Pawan Kumar Danwar | Non-independent & Non-executive Director | 9 | 9 | Yes | 1 | - | - | - |

*Mr. Rangarajan Raghavan has resigned from the Directorship of the Company w.e.f. closing hours of 31st March, 2020

**Ms Ritu Arora was reappointed as Independent Director for the second term w.e.f. 6th April, 2020.

- (v) Nine Board Meetings were held during the financial year 2019-20 and the gap between two meetings did not exceed 120 days. The dates on which the Board Meetings were held are as follows:

| | | |
|--------------------------------|----------------------------------|--------------------------------|
| 13 th May, 2019 | 30 th May, 2019 | 31 st July, 2019 |
| 6 th August, 2019 | 16 th September, 2019 | 5 th November, 2019 |
| 27 th January, 2020 | 24 th February, 2020 | 26 th March, 2020 |

- (vi) Necessary information as mentioned in Part A of Schedule II of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 has been placed before the Board for their consideration.

Some of the items discussed at the Board/Board Committees meetings are listed below:

- a. Annual operating plans and budgets and all updates.
- b. Capital budgets and all updates.
- c. Quarterly results for the Company and its operating divisions or business segments.
- d. Minutes of meetings of audit committee and other committees of the Board.
- e. The information on recruitment and remuneration of senior officers just below the level of Board of Directors, including appointment or removal of the chief financial officer and the company secretary, if any.
- f. Show cause, demand, prosecution notices and penalty notices which are materially important.
- g. Sale of investments, subsidiaries which are material in nature and not in normal course of business
- h. Quarterly details of foreign exchange exposures and steps taken by the management to limit the risks of adverse exchange rate movement, if material.
- i. Non-compliance of any regulatory, statutory nature or listing requirements and shareholders' service such as non-payment of dividend, delay in share transfer, etc., if any.
- j. Discussion and review of Business Operations.
- k. Advancement of inter-corporate loan to subsidiaries.
- l. Issue of corporate guarantees(s) on behalf of subsidiaries.
- m. Minutes of meetings of Board of Directors of subsidiary companies.
- n. Review of operations of subsidiary companies.
- o. Review of related party transactions.
- p. Approval to make payment of remuneration by way of commission to Non-executive Director.
- q. Review of statutory compliances.

3. COMMITTEES OF THE BOARD**(i) ACCOUNTS AND AUDIT COMMITTEE:**

- a. The Accounts and Audit Committee of the Company was constituted in August'1998.
- b. The Committee is governed by a Charter.
- c. The functions of the Audit Committee inter-alia include the following:
 1. Recommending to the Board, the appointment, re-appointment, remuneration and terms of appointment and, if required, the replacement or removal of the auditors of the Company.
 2. Approval of payment to statutory auditors for any other services rendered by them.
 3. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible
 4. To review and monitor the auditor's independence and performance, and effectiveness of audit process.
 5. Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the Board for approval, with particular reference to:
 - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report under Companies Act.
 - Changes, if any, in accounting policies and practices and reasons for the same.
 - Major accounting entries involving estimates based on the exercise of judgement by management.
 - Significant adjustments made in the financial statements arising out of audit findings.
 - Compliance with listing and other legal requirements related to financial statements.
 - Disclosure of any related party transaction.
 - Qualifications in the draft audit report.
 6. Review, with the management, the quarterly financial statements before submission to the Board for approval.
 7. Examination of the financial statements and the auditors' report thereon.
 8. Evaluation of internal financial controls and risk management systems.
 9. Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
 10. Reviewing and monitoring, with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
 11. Approval or any subsequent modification of transactions of the company with related parties.
 12. Scrutiny of inter-corporate loans and investments.
 13. Valuation of undertakings or assets of the Company, wherever necessary.
 14. Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
 15. Discussion with internal auditors of any significant findings and follow-up thereon.
 16. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board
 17. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
 18. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
 19. To review the functioning of the Whistle Blower mechanism.
 20. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience, background, etc. of the candidate.

21. The Audit Committee shall mandatorily review the following information:
- Management discussion and analysis of financial condition and results of operations;
 - Statement of significant related party transactions (as defined by the Audit Committee), submitted by management;
 - Management letters/letters of internal control weaknesses issued by the statutory auditors;
 - Internal audit reports relating to internal control weaknesses; and
 - The appointment, removal and terms of remuneration of the Chief internal auditor.

22. To perform any other function as may be assigned by the Board from time to time.

- d. The composition, powers, roles and the terms of reference of the Committee are in terms of the requirement of Section 177 of the Companies Act, 2013 and Regulation 18 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. All the Committee members have reasonable knowledge of finance and accounting and two members possess financial and accounting expertise.
- e. The composition of the Accounts and Audit Committee and details of meetings attended by its Chairman/ members are given below:

| Name | Category | No. of Meetings | |
|------------------------------|-----------------------------|-----------------|----------|
| | | Held | Attended |
| Mr. Kaushik Dutta (Chairman) | Independent & Non-executive | 5 | 5 |
| Dr. Nikhil Sinha | Independent & Non-executive | 5 | 5 |
| Ms. Ritu Arora | Independent & Non-executive | 5 | 4 |
| Ms. Sangeeta Talwar | Independent & Non-executive | 5 | 5 |

- f. The Audit Committee met five times during the financial year 2019–20 on the following dates:

| | | |
|---|------------------------------|--------------------------------|
| 29 th & 30 th May, 2019 | 31 st July, 2019 | 5 th November, 2019 |
| 27 th January, 2020 | 26 th March, 2020 | |

- g. The previous Annual General Meeting of the Company was held on 16th September, 2019 and it was attended by the Chairman of the Committee.
- h. The Company Secretary of the Company acts as Secretary to the Committee.

(ii) NOMINATION AND REMUNERATION COMMITTEE:

- a. The Nomination & Remuneration Committee was constituted in August 1998.
- b. The Committee is governed by a Charter.
- c. The terms of reference of the Committee inter alia includes:

Charter of the Committee:

The purpose of the Committee is to:

1. Manage the following set of activities with respect to members of the Board of Directors of the Company:
 - Appointment of Directors
 - Formulate the criteria for determining qualification, positive attributes and independence of Directors
 - Review and recommend potential candidates to the Board for appointment with due consideration to Board diversity
 - Evaluation of performance of the Directors of the Board
 - Establish criteria for evaluation of Director's performance
 - Conduct evaluation and submit the report to the Chairman of the Board (if necessary the Committee may seek external consulting assistance in this matter)
 - Remuneration of Directors including Executive and Non-executive Directors
 - Recommend policy for approval by the Board

2. Manage the following set of activities with respect to key managerial personnel viz., Executive Directors, Managing Director, Chief Executive Officer (CEO), Chief Financial Officer (CFO), Company Secretary of the Company and in future, such persons as recommended by the Board:
 - Establish and review the performance scorecard for key managerial personnel for each financial year
 - Review and recommend compensation, incentive and bonus plans for MD/CEO and other key managerial personnel on the basis of performance evaluation outcomes
 - The committee should also review, guide and finalize succession planning for key managerial personnel
 3. Manage the following set of activities with respect to the senior management of the Company:
 - Review the performance scorecard for the senior management for each financial year
 - Review and recommend to the Board the compensation, incentive and bonus plans for the senior management as proposed by the CEO on the basis of his / her evaluation of the performance outcomes of the senior management
 - The Committee should also review, guide and finalize succession planning for senior management
 4. Other activities:
 - Wherever considered necessary, the committee may review matters such as Organizational Structure, HR Charter, proposal from the CEO on annual compensation plan, pay hikes and budgets across organization for all employees globally etc.
 - Review and recommend the Stock Option Plans
 - Approve the individual grant of options to employees and/or non-independent Directors
 - In case considered appropriate the Board may recommend a review of any other areas considered critical to performance of Business
- d. The composition of the Nomination and Remuneration Committee and the details of meetings attended by its Chairman/members are given below:

| Name | Category | No. of Meetings | |
|-----------------------------------|---------------------------------|-----------------|----------|
| | | Held | Attended |
| Ms. Sangeeta Talwar (Chairperson) | Independent & Non-executive | 4 | 4 |
| Dr. Nikhil Sinha | Independent & Non-executive | 4 | 4 |
| Mr. Dilip Kumar Srivastava | Non-independent & Non-executive | 4 | 4 |

- e. The Committee met four times during the financial year 2019–20 on the following dates:

| | | |
|--------------------------------|-----------------------------|--------------------------------|
| 29 th May, 2019 | 31 st July, 2019 | 5 th November, 2019 |
| 27 th January, 2020 | | |

- f. Compensation policy for Non-executive Directors (NEDs):

Within the ceiling of 1% of the net profits of the Company computed under the applicable provisions of the Companies Act, 2013 and after obtaining the approval of the shareholders, the Non-executive Directors (other than Promoter Director) are paid a commission, the amount whereof is determined based on the policy adopted by the Company laying down the criteria relating to their positions on the Board and the various Board Committees. However, in view of the losses incurred by the Company during the year ended 31st March, 2020, the Board has decided that no commission be paid to Non-executive Directors for the year ending 31st March, 2020.

These Directors are also paid sitting fees at the rate of ₹ 75,000 for attending each meeting of the Board and the Board Committees. The sitting fees is paid to the Independent Directors.

- g. Details of remuneration paid / payable to all the Directors for the period from 1st April, 2019 to 31st March, 2020:

(₹ /Lacs)

| Name | Salary & Allowances | Perquisites | Performance Linked Bonus | Commission | Sitting Fees |
|--------------------------------|---------------------|-------------|--------------------------|------------|--------------|
| Mr. Rangarajan Raghavan* | 86.52 | 4.01 | 55.00 | NIL | NIL |
| Non-Executive Directors | | | | | |
| Dr. Nikhil Sinha | NIL | NIL | NIL | NIL | 12.75 |
| Mr. Dilip Kumar Srivastava | NIL | NIL | NIL | NIL | NIL |
| Mr. Pawan Kumar Danwar | NIL | NIL | NIL | NIL | NIL |
| Ms. Sangeeta Talwar | NIL | NIL | NIL | NIL | 17.25 |
| Mr. Kaushik Dutta | NIL | NIL | NIL | NIL | 15.00 |
| Ms. Ritu Arora | NIL | NIL | NIL | NIL | 12.00 |

*Mr Rangarajan Raghavan has resigned from the directorship of the Company w.e.f. closing hours of 31st March, 2020

The above remuneration excludes reimbursement of expenses on actual to the Directors for attending meetings of the Board/Committees.

- h. Details of stock options issued to Directors:
The Company has granted options to Mr. Rangarajan Raghavan, Managing Director of the Company prior to the financial year 2019–20.
- i. Period of contract of Executive Director:
Mr. Rangarajan Raghavan, Managing Director: 3 Years from 1st April, 2018. However, Mr. Rangarajan Raghavan has resigned from the directorship of the Company w.e.f. 31st March, 2020.
- j. There were no pecuniary relationships or material, financial and commercial transactions of the senior management vis-à-vis the company.
- k. As on 31st March, 2020, Mr. Kaushik Dutta was holding 4,000 shares in the Company. Mr. Rangarajan Raghavan was holding 34,500 shares in the Company. No other Director was holding any shares of the Company as on 31st March 2020. There is not any relationship between the Directors of the Company.

(iii) STAKEHOLDERS RELATIONSHIP COMMITTEE:

- a. The Stakeholders Relationship Committee was constituted to oversee and review all matters connected with the transfer and transmission of shares of the Company and the matters related thereto and redressal of shareholders/investors' complaints.
- b. The composition of the Stakeholders Relationship Committee and the details of meetings attended by its Chairperson/members are given below:

| Name | Category | No. of Meetings | |
|-----------------------------------|---------------------------------|-----------------|----------|
| | | Held | Attended |
| Ms. Sangeeta Talwar (Chairperson) | Independent & Non-executive | 4 | 4 |
| Mr. Pawan Kumar Danwar | Non-independent & Non-executive | 4 | 4 |
| Mr. Rangarajan Raghavan* | Non-independent & Executive | 4 | 4 |
| Mr. Dilip Kumar Srivastava** | Non-independent & Non-executive | NA | NA |

*Mr. Rangarajan Raghavan resigned from the directorship of the Company w.e.f. closing hours of 31st March, 2020

** Mr. Dilip Kumar Srivastava was appointed as member of the Committee w.e.f. 16th April, 2020

- c. The Committee met four times during the financial year 2019–20 on the following dates:

| | | |
|--------------------------------|-----------------------------|--------------------------------|
| 29 th May, 2019 | 31 st July, 2019 | 5 th November, 2019 |
| 27 th January, 2020 | | |

- d. Name, designation and address of Compliance Officer:

Mr. Sushil Kumar Jain
 Company Secretary and Compliance Officer
 HCL Infosystems Limited
 E- 4,5,6, Sector 11,
 NOIDA (U.P.) – 201301
 Tel: 0120-2526490
 Fax:91 1202523791

- e. During the year under review, the Company received one complaint from SEBI/Stock Exchanges/MCA. The complaint was redressed to the satisfaction of the shareholder. No complaint was pending either at beginning or at the end of the year. There were no shares pending for transfer as on 31st March, 2020.

(iv) OTHER COMMITTEES

a. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

- In compliance with Section 135 of Companies Act, 2013, Corporate Social Responsibility Committee was constituted in 2014.
- The Committee is governed by a Charter.
- The terms of reference of the Committee inter alia includes:
 - To formulate and recommend to the Board, a CSR policy which shall indicate the activities to be undertaken by the Company;
 - To recommend the amount of expenditure to be incurred on the activities referred above;
 - To monitor the Corporate Social Responsibility Policy of the Company from time to time.
 - To undertake such other activities as it may deem expedient to discharge its functions or which can be assigned to it by the Board of Directors from time to time.
- The composition of the Corporate Social Responsibility Committee is given below:

| Name | Category |
|-----------------------------------|---------------------------------|
| Ms. Sangeeta Talwar (Chairperson) | Independent & Non-executive |
| Mr. Pawan Kumar Danwar | Non-Independent & Non-executive |
| Mr. Dilip Kumar Srivastava | Non-Independent & Non-executive |

The Company is having losses for the past three years, hence not liable to spend any amount on CSR activities. Therefore, no meeting of CSR Committee was conducted during the financial year 2019–20.

b. FINANCE COMMITTEE

- The Company constituted a Committee of Director in 1999 and renamed as Finance Committee in 2011.
- The Committee is governed by a Charter.
- The terms of reference of the Committee inter alia includes :-
 - Capital structure plans and specific equity and debt financings
 - Review the corporate guarantee/bonds provided by the company either directly or through banks in connection with the Company's business, to any third parties and recommend to the Board.
 - Approve opening/closing of bank accounts of the Company and change in signatories for operating the bank accounts.
 - Review annual budgets and other financial estimates and provide its recommendations to the Board.
 - Review the actual performance of the Company against the plans on a quarterly basis
 - Capital expenditure plans and specific capital projects
 - Evaluate the performance of and returns on approved capital expenditure

- Customer financing
 - Mergers, acquisitions, buy backs, demerger and divestitures
 - Evaluate the performance of acquisitions
 - Fresh/further investment in subsidiaries/JVs/branches
 - Evaluate the performance of subsidiaries/JVs/branches
 - Plans and strategies for managing the foreign exchange exposure
 - Recommend dividend policy to the Board
 - Insurance coverage and programme
 - Review of the total BG issued V/s BG Limits
 - Investment of surplus funds
4. The composition of the Finance Committee and the details of meetings attended by its Chairperson/ members are given below:

| Name | Category | No. of Meetings | |
|---------------------------------|---------------------------------|-----------------|----------|
| | | Held | Attended |
| Mr. Kaushik Dutta (Chairperson) | Independent & Non-executive | 5 | 5 |
| Mr. Pawan Kumar Danwar | Non-Independent & Non-executive | 5 | 5 |
| Ms. Ritu Arora | Independent & Non-executive | 5 | 4 |

4. Independent Directors' Meeting

During the year under review, the Independent Directors' meeting was conducted on 26th March, 2020 through video conferencing, to discuss the following:

- a. review the performance of Non-independent Directors and the Board as a whole
- b. review the performance of the Chairman of the Company, taking into account the views of Executive Director and Non-executive Directors
- c. assess quality, quantity and timeliness of flow of information between the Company management and the Board that is necessary for the Board to effectively and reasonably perform their duties

All Independent Directors attended the meeting through video conferencing as there was lockdown due to Covid-19.

5. Familiarization Programmes for Independent Directors

During the year under review, no Independent Director was inducted on the Board of the Company. Apart from this, the Company frequently organizes familiarization programme to update the Independent Directors on the business and operations of the company.

The details of such familiarization programmes are posted on the website of the company and can be accessed at <http://www.hclinfosystems.com/investors/>

6. Key Board Skills, Expertise and Competence

The Company's Board comprises qualified members with required skills, expertise and competence that allow them to make contributions to the Board and its Committees.

In the table below, the specific areas of expertise of individual Board members have been highlighted. However, the absence of mark against a member's name does not necessarily mean the member does not possess the corresponding qualification or skill.

| S. No | Area of Expertise | Dr. Nikhil Sinha | Mr. Kaushik Dutta | Ms. Sangeeta Talwar | Ms. Ritu Arora | Mr. Pawan Kumar Danwar | Mr. Dilip Kumar Srivastava |
|-------|--|------------------|-------------------|---------------------|----------------|------------------------|----------------------------|
| 1 | Strategy (Experience in developing and implementing business strategy) | √ | √ | √ | √ | √ | √ |
| 2 | Leadership (Leadership experience and corporate leadership positions held) | √ | √ | √ | √ | √ | √ |

| S. No | Area of Expertise | Dr. Nikhil Sinha | Mr. Kaushik Dutta | Ms. Sangeeta Talwar | Ms. Ritu Arora | Mr. Pawan Kumar Danwar | Mr. Dilip Kumar Srivastava |
|-------|--|------------------|-------------------|---------------------|----------------|------------------------|----------------------------|
| 3 | Financial and Risk Management (Experience in financial accounting, corporate finance, risk management and internal controls) | √ | √ | √ | √ | √ | √ |
| 4 | Governance and Board (Experience as corporate Board member or membership of industry or other governance bodies) | √ | √ | √ | √ | √ | √ |
| 5 | Technology (Significant background in or knowledge of technology including its impact on business models and strategy) | √ | | | | | |

Note: Mr. Rangarajan Raghavan resigned from the directorship of the Company w.e.f. closing hours of 31st March, 2020

7. APPOINTMENT AND REMUNERATION POLICY OF DIRECTORS, SENIOR MANAGEMENT AND OTHER EMPLOYEES

The Company believes that a diverse Board will be able to leverage different skills, qualifications, professional experiences which is necessary for achieving sustainable and balanced development. In accordance with the provisions of Section 178 of the Companies Act, 2013 and Part D of Schedule II of the Listing Regulations, the Company has adopted the policy on nomination and remuneration of Directors (Executive, Non-executive and Independent), key managerial personnel (KMP), senior management and other employees of the Company. The policy also specifies the criteria for determining qualifications, positive attributes and independence of a Director. The policy is available on the website of the Company and can be accessed at <http://www.hclinfosystems.com/investors/>.

8. Performance Evaluation

Pursuant to the provisions of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, a formal annual performance evaluation has been done by the Board of its own performance, the Directors individually as well as the evaluation of its Committees.

The Company had appointed an external agency to conduct the online board evaluation of the Board, Committees and individual Directors including Independent Directors, as per the assessment form designed in-house by the Company. The report content and quality was reviewed by an Independent HR consultant and she shared the results with the Board Chairman – Dr. Nikhil Sinha.

Independent Directors in their separate meeting have reviewed the performance of non-independent directors and the Board as a whole. They also reviewed the performance of the Chairperson of the Company.

9. CODE OF BUSINESS CONDUCT AND ETHICS FOR DIRECTORS AND SENIOR MANAGEMENT:

The Company has adopted a comprehensive code of conduct for its Directors and senior management, which lays the standards of business conduct, ethics and governance.

The Code has been circulated to all the members of the Board and senior management and they have affirmed compliance of the same.

The declaration signed by the 'Director' is given below:

'I hereby confirm that:

The Company has obtained from all the members of the Board and senior management, affirmation that they have complied with the code of conduct for directors and senior management in respect of the financial year 2019–20.'

Sd/-
Pawan Kumar Danwar
Director

10. UNLISTED SUBSIDIARY COMPANIES:

The Company has six unlisted subsidiaries as on 31st March, 2020 as under:

| S. No. | Name of the Company | Date of Incorporation / Acquisition |
|--------|--|-------------------------------------|
| 1. | Digilife Distribution and Marketing Services Limited | 19 th March, 2008 |
| 2. | HCL Learning Limited | 28 th September, 2012 |
| 3. | HCL Infotech Limited | 28 th September, 2012 |
| 4. | Pimpri Chinchwad eServices Limited | 21 st September, 2010 |
| 5. | Nurture Technologies FZE (formerly known as HCL Infosystems MEA FZE, Dubai) (acquired) | 4 th July, 2010 |
| 6. | HCL Investments Pte. Limited, Singapore | 29 th November, 2010 |

Note:

HCL Insys Pte. Limited, Singapore sold to M/s PCCW Solutions Limited on 15th November, 2019

The Audit Committee reviewed the financial statements of the unlisted subsidiary companies. The Minutes of the Board meetings of the unlisted subsidiary companies are regularly placed before the Board. The Board also reviewed the statement of all significant transaction and arrangement entered into by the unlisted subsidiary companies. Presently, the company is having a policy on subsidiaries which is posted on the website of the Company and can be accessed at <http://www.hclinfosystems.com/investors/>

11. RELATED PARTY TRANSACTIONS

All the related party transactions as defined under the Companies Act, 2013 and Regulation 23 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 entered during the financial year 2019–20 were in the ordinary course of business and at arm's length. The Audit Committee has approved all the related party transactions for the financial year 2019–20. The Company has not entered into any contract/arrangement/transaction with related parties which could be considered material in accordance with the policy of the Company on materiality of related party transactions.

The Board of Directors of the Company has on the recommendation of the Audit Committee, adopted a Related Party Transactions Policy in compliance with the applicable provisions of the Companies Act 2013 and the Listing Regulations. The said policy is posted on the website of the Company and can be accessed at <http://www.hclinfosystems.com/investors/>
All related party transactions are placed before the Audit Committee and also the Board for approval.

12. VIGIL MECHANISM/WHISTLE BLOWER POLICY

Pursuant to the provisions of section 177(9) & (10) of the Companies Act, 2013 and Regulation 22 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, Company has adopted Vigil Mechanism/ Whistle Blower Policy for Directors and employees to report concerns about unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct or ethics policy. No person has been denied access to the Chairman of the Audit Committee. The said Policy is posted on the website of the company and can be assessed at <http://www.hclinfosystems.com/investors/>

13. PROHIBITION OF INSIDER TRADING

As per SEBI (Prohibition of Insider Trading) Regulations, 2015 read with Securities and Exchange Board of India (Prohibition of Insider Trading) (Amendments) Regulations, 2018, effective w.e.f. 1st April, 2019 the Company had adopted the revised code of conduct for internal procedures and to regulate, monitor and report trading by Insiders.

14. GENERAL BODY MEETINGS:

(i) The last three Annual General Meetings were held as under:

| Financial Year | Date | Time | Location |
|----------------|----------------------------------|------------|--|
| 2018–19 | 16 th September, 2019 | 10:00 a.m. | Kamani Auditorium, 1, Copernicus Marg, New Delhi- 110001 |
| 2017–18 | 27 th September, 2018 | 10:00 a.m. | Kamani Auditorium, 1, Copernicus Marg, New Delhi- 110001 |
| 2016–17 | 14 th September, 2017 | 10:00 a.m. | Kamani Auditorium, 1, Copernicus Marg, New Delhi- 110001 |

(ii) The special resolutions which were passed at the last three AGMs are as follows:

16th September, 2019

- Re-appointment of Mr. Kaushik Dutta as an Independent Director of the Company
- Re-appointment of Ms. Sangeeta Talwar as an Independent Director of the Company
- Change of designation of Dr. Nikhil Sinha from Non-independent Director to Independent Director
- Approval for the revision in remuneration to be paid to Mr. Rangarajan Raghavan
- Approval for sell/transfer/disposal of the shares of step-down subsidiary, HCL Insys Pte. Ltd, Singapore to M/s PCCW Solutions Limited

27th September, 2018

- Appointment of Mr. Rangarajan Raghavan as Managing Director of the Company
- Approval for the remuneration to be paid to Mr Rangarajan Raghavan, Managing Director of the Company

14th September, 2017

- Approval for offer or invitation to subscribe to redeemable non-convertible debentures on private placement

15. Postal Ballot

No resolution had been approved through postal ballot during the financial year 2019–20.

16. MD/CFO CERTIFICATION:

The Certificate as stipulated in Regulation 17(8) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 was placed before the Board along with the financial statements for the financial year ended 31st March, 2020 and the Board reviewed the same.

Consequent to the resignation of Mr. Rangarajan Raghavan, Managing Director w.e.f. closing hours of 31st March, 2020, Mr. Pawan Kumar Danwar has issued the certificate in place of Managing Director.

17. DISCLOSURES:

- (i) The Company has complied with the requirements of the stock exchanges/SEBI/any statutory authority on all matters related to capital markets during the last three years, except one error in composition of the Nomination & Remuneration Committee (NRC) Committee in the financial year 2019–20, which has been compounded by payment of fee to NSE/BSE under Standard Operating Procedures (SOP) guidelines of SEBI.
- (ii) A qualified practicing Company Secretary carried out a secretarial audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The secretarial audit report confirms that the issued/paid-up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.
- (iii) The Board of the Company has adopted a risk management policy for reviewing the risk management plan and ensuring its effectiveness. The audit committee has additional oversight in the area of financial risks and controls. Major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuing basis, including aligning the internal audit function to areas of key risks.
- (iv) Pursuant to Section 204 of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, Secretarial Audit has been done by M/s VKC & Associates, a firm of practicing company secretaries for financial year 2019–20. *The Secretarial Auditor during the audit has mentioned the following instances as mentioned below:*

1. *Subject to the provisions of Section 178 (1) of the Act and Regulation 19(2) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015 (SEBI LODR), the Company had appointed Mr. Nikhil Sinha (chairman of company) as the Chairman of Nomination and Remuneration Committee w.e.f 13th May, 2019 till 30th July, 2019. In this regard, both the stock exchange(s) i.e., NSE and BSE have imposed penalties for the contravention of the Regulation 19(2) of SEBI LODR, which have also been paid by the Company during the period under review.*

In this regard, it is clarified that the Company had compounded by payment of fee to NSE/BSE under standard operating procedures (SOP) guidelines of SEBI. The stock exchange letters were placed before the Board and the Board noted the same.

Further, the composition of the Nomination and Remuneration Committee was revised in compliance with the provisions of Section 178 (1) of the Act and Regulation 19(2) of the SEBI LODR).

2. *Subject to the compliance of sub rule (3) of Rule 6 of Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules 2016 and Regulation 30, read with PART A of Schedule III of SEBI LODR, 2015. In this regard, the management has informed us that the necessary notice has been published; however, they are not able to provide persuasive evidence due to limited access of the records owing to COVID-19 lockdown and as such no further comments.*

Company took necessary action to publish the advertisement; however, Company could not furnish the documents amidst of COVID-19 pandemic.

3. Subject to the sub section (5) of Section 124 and any other applicable provisions of the Act, there has been a delay in transferring unclaimed matured deposits amounting to ₹ 47.30 lakh to Investor Education and Protection Fund (IEPF), which has been deposited by the Company subsequent to the year end.

Company submits, since it was a case of matured deposit for which no claimant reported to the Company and was lying bonafide with the Company which has now been transferred to the Investor Protection and Education Fund (IEPF) account.

- (v) The Company has fulfilled the following non-mandatory requirements as prescribed in Part E of Schedule II Regulation 27(1) of Securities and Exchange Board of India(Listing Obligations and Disclosure Requirements) Regulations, 2015:
- The Company has appointed separate persons to the post of chairperson and Managing Director.
 - The statutory financial statements of the Company are unqualified.
 - Internal Auditor can directly report to the Audit Committee.
- (vi) The Company has taken a certificate from M/s Sanjay Grover & Associates, a firm of practicing Company Secretaries confirming that none of the directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as directors of companies by the Board/Ministry of Corporate Affairs or any such statutory authority. The certificate is annexed herewith as 'Annexure-A'.
- (vii) During the period under review, the total fees of ₹ 1,92,20,000 (One Crore Ninety-Two Lakh Twenty Thousand only) has been paid to the statutory auditors for the audit of the Company and its subsidiaries including ₹ 7,95,000 (Seven Lakh Ninety-Five Thousand) for special non-statutory audit assignment to KPMG Singapore. This fees excludes applicable taxes and out-of-pocket expenses.
- (viii) Disclosure in relation to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 is as under:
- Number of compliant filed during the financial year: 0
 - Number of compliant disposed of during the financial year: 0
 - Number of compliant pending as on the end of the financial year: 0

18. MEANS OF COMMUNICATION:

- Quarterly/Half Yearly/Annual Results:** The quarterly, half yearly and annual results of the company are sent to the stock exchanges immediately after they are approved by the Board.
- News Releases:** The quarterly, half yearly and annual results of the company are published in the prescribed format within 48 hours of the conclusion of the meeting of the Board in which they are considered, at least in one English newspaper circulating in the whole or substantially the whole of India and in one vernacular newspaper of the state where the registered office of the company is situated.

The quarterly financial results during the financial year 2019–20 were published as detailed below:

| Quarter (FY 2019-20) | Date of Board Meeting | Date of Publication | Name of the Newspaper |
|----------------------|--------------------------------|--------------------------------|-----------------------|
| 1 | 30 th May, 2019 | 31 th May, 2019 | Business Standard |
| 2 | 31 st July, 2019 | 1 st August, 2019 | Business Standard |
| 3 | 5 th November, 2019 | 6 th November, 2019 | Business Standard |
| 4 | 27 th January, 2020 | 28 th January, 2020 | Business Standard |

- Website:** The Company's website www.hclinfosystems.com contains a separate section on 'Investors' where the latest shareholders information is available. The quarterly, half yearly and annual results are regularly posted on the website. Press releases and presentations on investor call made by the company from time to time and presentations made to investors and analysts are displayed on the company's website.
- NSE Electronic Application Processing System (NEAPS), BSE Corporate Compliance & Listing Centre:** National Stock Exchange of India Limited (NSE) and BSE Limited (BSE) have developed web-based applications for corporates. Periodical compliances like financial results, shareholding pattern and corporate governance report, etc., are also filed electronically on NEAPS/ BSE listing centre.
- Annual Report:** Annual Report containing, inter alia, Audited Annual Accounts, Consolidated Financial Statements, Board Report, Auditors' Report and other important information is circulated to members and others entitled thereto.

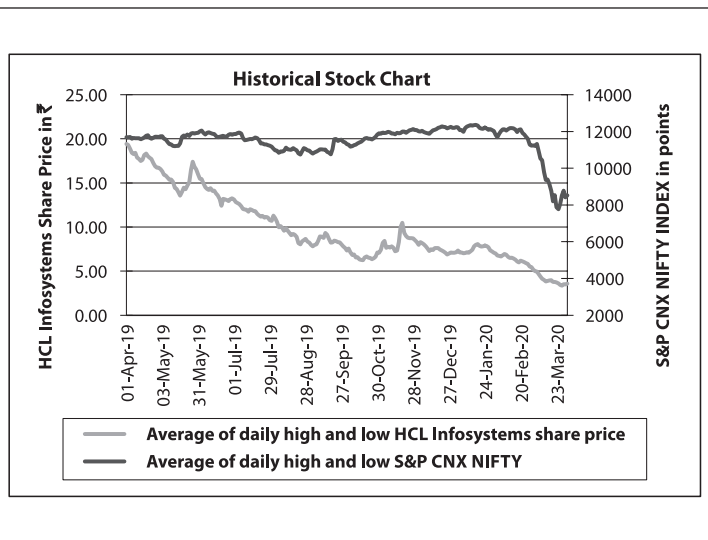
The Management Discussion and Analysis (MDA) Report forms part of the annual report. The annual report is also available on the Company's website.

- (vi) **Reminders to Investors:** Reminders for unpaid/unclaimed dividend are sent to the shareholders as per records.

19. GENERAL SHAREHOLDERS' INFORMATION:

- (i) Annual General Meeting:
Date : Tuesday, 29th September, 2020
Time : 10:00 a.m.
Mode : Video Conference ("VC")/Other Audio Visual Means ("OAVM")
- (ii) The Company follows April to March year end.
- (iii) Financial Calendar (Tentative Calendar for the financial year 2020–21):
Adoption of results for the quarter ending 30th June, 2020 : 6th August, 2020
Adoption of results for the quarter ending 30th September, 2020 : 29th October, 2020
Adoption of results for the quarter ending 31st December, 2020 : 27th January, 2021
Adoption of results for the quarter ending 31st March, 2021 : 27th May, 2021
- (iv) Date of Book Closure : 24 September 2020 (Thursday)—29 September 2020 (Tuesday)
(both days inclusive)
- (v) Listing on Stock Exchanges : National Stock Exchange of India Limited
BSE Limited
- (vi) Stock Codes/Symbol:
National Stock Exchange of India Limited : HCL-INSYS
BSE Limited : Physical Form – 179
Demat Form – 500179
- (vii) Market Price Data:

| Month | Company's Share Price | |
|-----------------|-----------------------|---------|
| | High (₹) | Low (₹) |
| April, 2019 | 19.75 | 16.25 |
| May, 2019 | 17.90 | 13.25 |
| June, 2019 | 15.75 | 11.60 |
| July, 2019 | 13.35 | 10.10 |
| August, 2019 | 11.55 | 7.65 |
| September, 2019 | 9.85 | 7.55 |
| October, 2019 | 8.00 | 6.00 |
| November, 2019 | 11.40 | 6.90 |
| December, 2019 | 8.70 | 6.65 |
| January, 2020 | 8.30 | 6.90 |
| February, 2020 | 7.25 | 5.30 |
| March, 2020 | 5.60 | 3.20 |



(Source : The National Stock Exchange of India Ltd.)

- (viii) Registrar and Transfer Agents (RTA):
Name & Address : M/s. Alankit Assignments Limited
205-208, Anarkali Complex
Jhanewalan Extension,
New Delhi-110055
Contact Person : Mr. J. K. Singla, Senior Manager
Phone No. : 011-42541234,23541234
Fax No. : 23552001
E-Mail : rta@alankit.com

(ix) Share Transfer System:

Transfer of dematerialized shares is done through the depositories with no involvement of the Company. As regards transfer of shares held in physical form, the transfer documents can be lodged with Alankit Assignments Limited, the RTA of the Company, at their address mentioned above. Transfer of shares in physical form are normally processed within 10–15 days from the date of receipt, if the documents are complete in all respects.

(x) Shareholders' Referencer:

The shareholders' referencer is available on the Company's website. Any shareholder who wishes to obtain copy of the same can send his request to the Company Secretary.

(xi) Distribution of Shareholding as on 31st March, 2020:

| No. of equity shares | Shareholders | | Total Shares | |
|----------------------|---------------|---------------|------------------|---------------|
| | Number | (%) | Number | (%) |
| Up to 500 | 74574 | 74.57 | 11490935 | 3.49 |
| 501-1000 | 11381 | 11.38 | 9616906 | 2.92 |
| 1001-2000 | 6466 | 6.47 | 10144940 | 3.08 |
| 2001-3000 | 2487 | 2.49 | 6462574 | 1.96 |
| 3001-4000 | 1224 | 1.22 | 4457367 | 1.35 |
| 4001-5000 | 1045 | 1.04 | 4996884 | 1.52 |
| 5001-10000 | 1525 | 1.53 | 11404030 | 3.47 |
| 10001 and above | 1301 | 1.30 | 270636292 | 82.21 |
| Total | 100003 | 100.00 | 329209928 | 100.00 |

(xii) Shareholding pattern as on 31st March, 2020:

| Category | No. of shares | Percentage (%) |
|---|------------------|----------------|
| Promoters / Promoters Group | 207031161 | 62.89 |
| Mutual Funds/Alternate Investment Funds | 5500 | 0.00 |
| NBFCs | 1831353 | 0.56 |
| Foreign Portfolio Investors | 6725 | 0.00 |
| Insurance Companies | 500097 | 0.15 |
| Financial Institutions / Banks | 2979990 | 0.91 |
| Bodies Corporate | 22477259 | 6.83 |
| Indian Public | 84587922 | 25.70 |
| NRI / Trust/others | 8886094 | 2.69 |
| Central Government (IEPF Fund) | 903827 | 0.27 |
| TOTAL | 329209928 | 100.00 |

(xiii) Dematerialization of shares:

The shares of the Company are compulsorily traded in dematerialized form and are available for trading on both the depositories in India i.e., NSDL & CDSL. As on 31st March, 2020, 99.28% equity shares of the Company were held in dematerialized form.

The Company's shares are regularly traded on the NSE and the BSE in electronic form.

Under the Depository system, the International Securities Identification Number (ISIN) allotted to the Company's shares is INE 236A01020.

(xiv) The Company has not issued any GDRs/ADRs. There are no outstanding warrants or convertible instruments as on 31st March, 2020.



HCL INFOSYSTEMS

(xv) Address for Correspondence:

The shareholders may address their communication/suggestions/grievances/queries to the registrar and share transfer agents at the address mentioned above, or to:

The Compliance Officer

HCL Infosystems Limited

E – 4, 5, 6, Sector – 11,

NOIDA (U.P.) – 201301.

Tel. No.: 0120-2520977,2526518, 2526519

Fax: 91 120 2523791

Email: cosec@hcl.com

(xvii) Credit Rating

India Ratings and Research (Ind-Ra) has revised its rating of the company from “A- to BBB-/Negative” as long-term issuer rating and from “A1 to A3” as short-term issuer rating, indicating moderate degree of safety regarding timely servicing of financial obligations.

(xviii) Company Website:

The Company has its website namely www.hclinfosystems.com. This provides detailed information about the Company, its subsidiaries, products and services offered, locations of its corporate office and various sales offices, etc. It also contains updated information on the financial performance of the Company and procedures involved in completing various investors’ related transactions expeditiously. The quarterly results, annual reports and shareholding distributions, etc., are updated on the website of the Company from time to time.

CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

**(Pursuant to Regulation 34(3) and Schedule V Para C Clause (10)(i) of the SEBI
(Listing Obligations and Disclosure Requirements) Regulations, 2015)**

To,
The Members of
HCL INFOSYSTEMS LIMITED
806, Siddharth, 96, Nehru Place,
New Delhi-110019

- That HCL Infosystems Limited (CIN: L72200DL1986PLC023955) is having its registered office at 806, Siddharth, 96, Nehru Place, New Delhi-110019 (hereinafter referred as the Company). The equity shares of the Company are listed on BSE Limited and National Stock Exchange of India Limited.
- We have examined the relevant disclosures received from the Directors, registers, records, forms, and returns maintained by the Company and produced before us by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C Sub clause 10(i) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- In our opinion and to the best of our information and according to the verifications and examination of the disclosures under section 184/189, 170, 164, 149 of the Companies Act, 2013 (the Act) which are provided and confirmed on e-mail due to prevailing lockdown (Covid-19) and DIN status at the portal, www.mca.gov.in, as considered necessary and explanations furnished to us by the Company and its officers, we certify that none of the below named Directors on the Board of the Company as on March 31, 2020 have been debarred or disqualified from being appointed or continuing as directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs or any such statutory authority:

| Sr. No. | Name of Director | Director Identification Number (DIN) | Date of Appointment in Company |
|----------------|----------------------------|---|---------------------------------------|
| 1. | Mr. Raghavan Rangarajan* | 07932761 | 01/04/2018 |
| 2. | Dr. Nikhil Sinha | 01174807 | 29/07/2009 |
| 3. | Ms. Sangeeta Talwar | 00062478 | 11/02/2014 |
| 4. | Mr. Kaushik Dutta | 03328890 | 11/02/2014 |
| 5. | Mr. Dilip Kumar Srivastava | 06847137 | 21/03/2014 |
| 6. | Mr. Pawan Kumar Danwar | 06847503 | 21/03/2014 |
| 7. | Ms. Ritu Arora | 07019164 | 06/04/2015 |

**Mr. Raghavan Rangarajan has resigned with effect from the closing hours of 31st March, 2020*

- Ensuring the eligibility of the appointment/continuity of every Director on the Board is the responsibility of the management of the Company. Our responsibility is to express an opinion on these based on our verification. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.
- This certificate is based on the information and records available up to this date and we have no responsibility to update this certificate for the events and circumstances occurring after the date of the certificate.

For Sanjay Grover & Associates
Company Secretaries
Firm Registration No.: P2001DE052900

Devesh Kumar Vasisht
Partner

CP No.:13700

FCS No. F8488

UDIN.: F008488B000272290

Place: New Delhi
Date: May 23, 2020



HCL INFOSYSTEMS

Corporate Governance Certificate

Independent Auditors' Report on Compliance with the Corporate Governance requirements under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

To the Members of HCL Infosystems Limited

1. This report is issued in accordance with the terms of our engagement letter dated 26 November 2018 and addendum to engagement letter dated 4 May 2020.
2. The accompanying Corporate Governance Report prepared by HCL Infosystems Limited ("the Company") contains details of compliance of conditions of corporate governance by the Company for the year ended 31 March 2020, as stipulated in Regulations 17 to 27 and clauses (b) to (i) of the Regulation 46(2) and paragraphs C, D and E of the Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, ("SEBI Listing Regulations").

Management's Responsibility

3. The preparation of the Corporate Governance Report is the responsibility of the Management including the preparation and maintenance of all the relevant supporting records and documents. This responsibility also includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Corporate Governance Report.
4. The Management along with the Board of Directors is also responsible for ensuring that the Company complies with the conditions of the Corporate Governance and provides all relevant information to Securities and Exchange Board of India. The management shall comply with the corporate governance provisions which shall be implemented in a manner so as to achieve the objectives of the principles.

Auditor's Responsibility

5. Pursuant to the requirements of the SEBI Listing Regulations, it is our responsibility to provide a reasonable assurance whether the Company has complied with the specific requirements of SEBI Listing Regulations as mentioned referred to in paragraph 2 above.
6. A reasonable assurance engagement involves performing procedures to obtain sufficient and appropriate evidence on the subject matter stated in the above paragraph. The procedures selected, including procedures for assessment of the risk associated with the subject matter, depends on the auditor's judgement.
7. Our examination was limited to the procedures and implementation thereof adopted by the Company for ensuring the compliance of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
8. We conducted our examination of the Corporate Governance Report in accordance with the Guidance Note on Reports or Certificates for Special Purposes and Guidance Note on Certification of Corporate Governance, ("the Guidance Notes"), both issued by the Institute of Chartered Accountants of India ("ICAI"). The Guidance Notes requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.
9. We have complied with the requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements, issued by ICAI.

Opinion

10. In our opinion, and to the best of our information and according to the explanation and representations given to us, we are of the opinion that the Company has complied with the conditions of the Corporate Governance as stipulated in Listing Regulations, as applicable as at 31 March 2020, referred to in paragraph 2 above.
11. We state that such compliance is neither an assurance as to the future viability of the Company nor as to the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

Restrictions on Use

12. This report is addressed to and provided to the members of the Company solely for the purpose of enabling it to comply with the obligations under the Listing Regulations and it should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this certificate is shown or into whose hands it may come without our prior consent in writing. We have no responsibility to update this report for events and circumstances occurring after the date of report.

For **B S R & Associates LLP**

Chartered Accountants

ICAI Firm Registration No: 116231W/W-100024

Sandeep Batra

Partner

Membership No.:093320

ICAI UDIN No.:20093320AAAAAW2678

Place: New Delhi
Date: 15 June 2020

Secretarial Audit Report

SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED 2020

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To
The Members,

HCL INFOSYSTEMS LIMITED

CIN L72200DL1986PLC023955

Registered Office Address: - 806, Siddharth, 96 Nehru Place, New Delhi-110019 India

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **HCL INFOSYSTEMS LIMITED** (hereinafter called 'the Company'). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has during the audit period covering the financial year ended on March 31, 2020 complied with the statutory provisions listed hereunder and also that the Company has proper Board- processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2020 according to the provisions of: -

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) The Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'): -
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - (c) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
 - (d) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018; - **Not Applicable**
 - (e) The Securities and exchange Board of India (Share Based Employee Benefits) Regulations, 2014,
 - (f) The Securities and Exchange Board of India (Issue and Listing of Debt securities) Regulations, 2008; - **Not Applicable**
 - (g) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - (h) The Securities and Exchange Board of India (Delisting of Equity shares) Regulations, 2009; - **Not Applicable**
 - (i) The Securities and Exchange Board of India (Buy back of Securities) Regulations, 2018; - **Not Applicable**
- (vi) The Company has identified following laws applicable specifically to the Company:
 - (a) The Information Technology Act, 2000;
 - (b) The Indian Copyright Act, 1957;
 - (c) The Patents Act, 1970;
 - (d) The Trade Marks Act, 1999;
 - (e) The Legal Metrology Act, 2009

We have also examined compliance with the applicable provisions of the following: -

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India.
- (ii) The Listing Agreements entered into by the Company with **BSE Limited** (BSE) and **National Stock Exchange of India Limited** (NSE)

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Standards and Guidelines etc. mentioned above *except on few instances as mentioned below:*

1. *Subject to the provisions of Section 178 (1) of the Act and Regulation 19(2) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015 (SEBI LODR), the Company had appointed Mr. Nikhil Sinha (Chairman of Company) as the Chairman of Nomination and Remuneration Committee w.e.f 13th May 2019 till 30th July 2019. In this regard both the Stock Exchange(s) i.e NSE and BSE have imposed penalties for the contravention of the Regulation 19(2) of SEBI LODR, which have also been paid by the Company during the period under review.*
2. *Subject to the Compliance of sub rule (3) of Rule 6 of Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules 2016 and Regulation 30, read with PART A of Schedule III of SEBI LODR,2015. In this regard, the management has informed us that the necessary notice has been published, however they are not able to provide persuasive evidence due to limited access of the records owing to COVID-19 lockdown and as such no further comments.*
3. *Subject to the sub section (5) of Section 124 and any other applicable provisions of the Act, there has been a delay in transferring unclaimed matured deposits amounting to ₹ 47.30 Lakhs to Investor Education and Protection Fund (IEPF), which has been deposited by the Company subsequent to the year end.*

We further report that the Board of Directors of the Company has been duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings and Committee Meetings, agenda and detailed notes on agenda were sent at least seven days in advance and in case of shorter notice, compliance as required under the Act has been made by the Company and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All decisions at Board Meetings and Committee Meetings are carried out with requisite majority of the members of the Board or committees as the case may be. Further there is no case of views of the dissenting members as per the recordings in the minutes of the meetings of the Board or Committee(s) thereof.

We further report that there are adequate systems and process in the company commensurate with the size and operations of the company to monitor and ensure compliances with the applicable laws, rules, regulations and guidelines.

We further report that during the audit period the Company has following specific event/action having major bearing on the company's affairs in pursuance of the above-referred laws, rules, regulations, standards & guidelines, if any, as may be referred to above:

During the period under review,

1. Mr. Kaushik Dutta and Ms. Sangeeta Talwar has been re-appointed as Independent Directors of the Company and to hold the office for another term of five consecutive years with effect from 1st April, 2019 to 31st March, 2024.
2. Dr. Nikhil Sinha, a Non-Executive Director, was appointed as an Independent Director for five consecutive years with effect from 1st April, 2019 to 31st March, 2024.
3. The entire shareholding of HCL Insys Pte Ltd, Singapore (Subsidiary of HCL Learning Limited & Step down subsidiary of Company) transfer to PCCW Solutions Ltd, a leading IT services provider in Hong Kong. The transaction was completed on November 15, 2019 & its trading business and Nurture Technologies FZE (Step down subsidiary of HCL Insys Pte Ltd,) was transferred to HCL Investments Pte Ltd (subsidiary of HCL Infotech Limited).
4. Pursuant to the Board approval dated 13.05.2019 & 20.05.2019, the Company had sold out of two properties located in Noida and one property located in Pune which were not fully utilized for business operations of the Company in order to reduce Company's debt obligations.
5. The Board of the Company in few instances has passed resolutions to raise term loan from Scheduled Commercial Banks and Financial Institutions. As informed by the management, those resolutions were not commercially materialized and as such dropped by the Company.
6. The Company has made the excess credit of 308710 equity share in IEPF A/c no. IN300708-10656671 to Investor Education and Protection Fund Authority (IEPF Authority) due to some clerical error and, as informed by the management, necessary steps being taken to reverse the transaction and rectifying the error.
7. With reference to Sub Rule (4A) of Rule 5 of the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, the Company is in process of identifying and filing Form No. IEPF – 1A with the Registrar of Companies for the relevant previous years.



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8. As per the information and explanations given to us, the remuneration paid by the company to its directors during the year is in accordance with the provisions of Section 197 read with Schedule V of the Act. The remuneration paid to director is in excess of the limit laid down under Section 197 of the Act. Accordingly, the Company has taken shareholder's approval by way of special resolution for such payment.

For **VKC & ASSOCIATES**
(Company Secretaries)

CS Mohit K Dixit
Partner

Date: 15th June, 2020
Place: Noida

Membership. No 49021
C.P No.17827
UDIN: A049021B000341247

Notes: - This report is to be read with our letter of even date which is annexed as 'Annexure- A' and forms an integral part of this report.

'Annexure - A'

To
The Members,

HCL INFOSYSTEMS LIMITED

CIN L72200DL1986PLC023955

806, Siddharth, 96 Nehru Place, New Delhi-110019 India

1. Maintenance of secretarial record is duty of the management of the company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We conducted the secretarial audit by examining the secretarial records including minutes, documents, registers, other records and returns related to the applicable laws on the Company etc. However, due to nationwide lockdown to fight COVID-19, some of the documents and records mentioned above have been received via electronic means and as such, could not be verified from the original's thereof. The management has confirmed that the records submitted to us are the true and correct. We have also relied upon representation given by the management of the company for certain areas which otherwise requires physical verification.
4. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.
5. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
6. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
7. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

For **VKC & ASSOCIATES**
(Company Secretaries)

CS Mohit K Dixit
Partner

Date: 15th June, 2020
Place: Noida

Membership. No 49021
C P No. 17827
UDIN: A049021B000341247

INDEPENDENT AUDITOR'S REPORT

To the Members of HCL Infosystems Limited

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the standalone financial statements of HCL Infosystems Limited ("the Company"), which comprise the standalone balance sheet as at 31 March 2020, and the standalone statement of profit and loss (including other comprehensive income), standalone statement of changes in equity and standalone statement of cash flows for the year then ended, and notes to the standalone financial statements, including a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the standalone financial statement").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone 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 2020, and loss and other comprehensive loss, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Standalone 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 standalone 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 Standalone financial statements.

Material Uncertainty Related to Going Concern

We draw attention to note 54 of the standalone financial statements, which indicates that the Company has accumulated losses and its net worth has been fully eroded, and that the Company has a net loss during the current and previous year and the Company's current liabilities exceeded its current assets as at the balance sheet date. These conditions, along with other matters set forth in note 55, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. However, based upon the measures as set forth in the note 54, including necessary financial support from a significant promoter shareholder, the management and the Board of Directors of the Company have a reasonable expectation that the Company will be able to realise its assets and discharge all its contractual obligations and liabilities as they fall due in near future in the normal course of the business. Accordingly, management has prepared the financial statements on a going concern basis.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be key audit matter to be communicated in our report.

Description of Key Audit Matter

| Recoverability of loans given to certain subsidiaries | |
|---|--|
| See note 2.14 (c) and 14 to the standalone financial statements | |
| The key audit matter | How the matter was addressed in our audit |
| The Company has given loans to its subsidiaries amounting to ₹ 203.56 crore (net of impairment losses). Given the fact that, Assessment of the recoverable amount of loans including interest thereon given to these subsidiaries has been identified as a key audit matter due to: | In view of the significance of the matter we applied the following audit procedures in this area, amongst others to obtain sufficient appropriate audit evidence: <ul style="list-style-type: none"> Evaluating design, implementation and operating effectiveness of controls over process adopted for recoverability of principal and interest thereon. |

| | |
|--|---|
| <ul style="list-style-type: none"> • Significance of the carrying amount of these balances and these subsidiaries have been incurring losses • This assessment requires the Company to make significant estimates and judgements of the future cash flows, qualitative assessments of the projects in those subsidiaries and timelines of expected project approvals. • Changes to any of these estimates and judgements may lead to material changes in the estimated recoverable amount, impacting both the potential impairment charge and the recognition of interest income. | <ul style="list-style-type: none"> • Assessing the projections prepared by the Company and the assumptions used, with particular attention to the following: <ul style="list-style-type: none"> - assessing the reasonableness of cash flow forecasts through analysis of past performance vis-a-vis previous forecasts and our knowledge of the business of the Company; - performing sensitivity analyses of the key assumptions used in the forecasts to determine the appropriate level of impairment and interest income to be recognised; - understanding the nature and duration of the ongoing projects in the respective subsidiaries to determine the likely timing of recovery of the loans; • Assessing, whether disclosures made in the standalone Ind AS financial statements are in compliance with the applicable accounting standards. |
|--|---|

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 annual report but does not include the financial statements and our auditors’ report thereon.

Our opinion on the standalone 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 standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed and based on the work done, 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’ Responsibility for the Standalone Financial Statements

The Company’s Management and Board of Directors are responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone 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 accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone 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 Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone 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 standalone 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 standalone 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 in the standalone financial statements made by the Management and Board of Directors.
- Conclude on the appropriateness of the Management and Board of Directors use of the going concern basis of accounting 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 standalone 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 standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditors' Report) Order, 2016 ("the Order") issued by the Central Government 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 standalone balance sheet, the standalone statement of profit and loss (including other comprehensive income), the standalone statement of changes in equity and the standalone statement of cash flows dealt with by this Report are in agreement with the books of account.
 - d) In our opinion, the aforesaid standalone 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 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2020 from being appointed as a director in terms of Section 164(2) of the Act.
 - f) The going concern matter described under the Material Uncertainty Related to Going Concern paragraph above, in our opinion, may have an adverse effect on the functioning of the Company; and
 - g) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".
- (B) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations as at 31 March 2020 on its financial position in its standalone financial statements - refer note 37 to the standalone financial statements;
 - ii. The Company has long term contracts as at 31 March 2020 for which there were no material foreseeable losses. The company did not have any long-term derivative contracts as at 31 March 2020.



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- iii. There has been a delay in transferring an amount of ₹ 0.47 crore pertaining to unclaimed matured deposits to the Investor Education and Protection Fund by the Company, which has been deposited by the Company subsequent to the year end.
 - iv. The disclosures in the standalone financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in these financial statements since they do not pertain to the financial year ended 31 March 2020.
- (C) With respect to the matter to be included in the Auditors' Report under section 197(16):

In our opinion and according to the information and explanations given to us, the remuneration paid by the company to its directors during the current year is in accordance with the provisions of Section 197 of the Act. The remuneration paid to director is in excess of the limit laid down under Section 197 of the Act. Accordingly, the Company has taken shareholder's approval by way of special resolution for such payment. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

For **B S R & Associates LLP**
Chartered Accountants
Firm's Registration No. 116231W/W-100024

Sandeep Batra
Partner
Membership No: 093320
ICAI UDIN: 20093320AAAAAS8482

Place: New Delhi
Date: 15 June 2020

Annexure A To Independent Auditors' Report

Annexure A referred to in our Independent Auditor's Report to the Members of HCL Infosystems Limited on the standalone financial statement for the year ended 31 March 2020, we report the following:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets, by which all fixed assets are verified by the management in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, certain fixed assets were physically verified during the year and no material discrepancies were noticed on such verification.
- (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deed of immovable properties included in fixed assets are held in the name of the Company, except for the immovable property mention below:

(₹ in crores)

| Particulars | Gross Block | Net Block |
|---|-------------|-----------|
| Land and Buildings at Ambattur, Chennai | 5.58 | 3.12 |

- (ii) The physical verification of inventory have been conducted at reasonable intervals by the management during the year. The discrepancies noticed on physical verification of inventory as compared to books records were not material.
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to Companies, firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Act. Accordingly, the provisions of clause 3 (iii) of the order not applicable to the Company.
- (iv) According to the information and explanations given to us, there are no loans, guarantee and security given by the Company in respect which provisions of Section 185 of the Companies Act, 2013 are applicable. Further, provisions of Section 186 of the Companies Act, 2013 have been complied with respect to loans given, investments made, guarantees and security given by the Company.
- (v) The Company has not accepted any deposits from the public within the meaning of directive issued by the Reserve Bank of India, provisions of Section 73 to 76 of the Act, any other relevant provisions of the Act and the relevant rules framed thereunder. However, also please refer to Clause B(iii) of our audit report regarding unclaimed matured deposits.
- (vi) The Central Government has not prescribed the maintenance of cost records under sub-section (1) of Section 148 of the Act for any of the products of the Company.
- (vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including Provident fund, Employees' state insurance, Income tax, Sales tax, Service tax, Goods and Services tax, Duty of customs, Duty of excise, Value added tax, Cess and other material statutory dues have generally been regularly deposited with the appropriate Authorities.

According to information and explanations given to us, no undisputed amounts payable in respect of Provident fund, Employees' state insurance, Income-tax, Sales tax, Service tax, Goods and service tax, Duty of customs, Duty of excise, Value added tax, Cess and any other material statutory dues were in arrears as at 31 March 2020, for a period of more than six months from the date they became payable, except unclaimed matured deposits as mentioned in the clause B (iii) to the audit report.

- (b) According to the information and explanations given to us, there are no dues of Income-tax, Sales tax, Service tax, Duty of customs, Duty of excise, Value added tax and Goods and service tax which have not been deposited by the Company on account of disputes, except for the following:

| Name of Act | Nature of dues | Demand (in crores) | Deposit (in crores) | Period to which it relates | Forum where the dispute is pending |
|----------------------|----------------|--------------------|---------------------|----------------------------|------------------------------------|
| Income Tax Act, 1961 | Income tax | 0.00 | - | 2004-2005 | Assessing Officer |

| Name of Act | Nature of dues | Demand (in crores) | Deposit (in crores) | Period to which it relates | Forum where the dispute is pending |
|---|----------------|--------------------|---------------------|--|--------------------------------------|
| Income Tax Act, 1961 | Income tax | 20.04 | - | 2005-2006, 2006-07, 2013-14 | Income tax Appellate tribunal |
| Income Tax Act, 1961 | Income tax | 10.75 | - | 2005-2006, 2006-07, 2011-12, 2017-18 | Commissioner of Income Tax (Appeals) |
| Income Tax Act, 1961 | Income tax | 1.23 | - | 2010-11 | Deputy Commissioner of Income Tax |
| Central Excise Act, 1944 | Excise | 0.79 | 0.02 | 2006-07 to 2008-09, 2010-11 | Commissioner (Appeals) |
| Central Excise Act, 1944 | Excise | 1.60 | 0.04 | 2006-07, 2007-08, 2010-11, 2011-12 | CESTAT |
| Central Excise Act, 1944 | Excise | 1.41 | 0.02 | 2002-03, 2012-13 | High Court |
| Central Excise Act, 1944 | Excise | 0.00 | 0.00 | 2005-06 | Adjudicating Authority |
| Customs Act, 1962 | Customs | 0.02 | - | 2008-09 | Commissioner (Appeals) |
| Customs Tariff Act, 1975 | Customs | 40.47 | 5.00 | 2005-2009 | CESTAT |
| Finance Act, 1994 | Service Tax | 1.18 | 0.00 | 2004-2011 | CESTAT |
| Finance Act, 1994 | Service Tax | 62.26 | 5.00 | 2003-06, 2010-11 to 2013-14 | High Court |
| Finance Act, 1994 | Service Tax | 39.52 | 3.25 | 2006-2009, 2010-2011 to 2015-16 | CESTAT |
| Finance Act, 1994 | Service Tax | 9.21 | - | 2010-14 | Commissioner (Appeals) |
| Goods and Services Tax, 2017 | SGST | 0.02 | 0.00 | 2018-19 | Deputy Commissioner |
| Sales Tax/ Value added Act under various states | Sales Tax | 175.26 | 76.96 | 2009-10 to 2012-13 | Deputy Commissioner (Appeals) |
| Sales Tax/ Value added Act under various states | Sales Tax | 8.58 | 1.95 | 2007-08, 2008-09, 2010-11 to 2013-14 | Additional Commissioner (Appeals) |
| Sales Tax/ Value added Act under various states | Sales Tax | 0.13 | 0.17 | 2014-15 | Additional Commissioner |
| Sales Tax/ Value added Act under various states | Sales Tax | 7.09 | 3.28 | 2004-05, 2007-08, 2009-10 to 2011-12, 2013-14 to 2017-18 | Assessing Officer |

| Name of Act | Nature of dues | Demand (in crores) | Deposit (in crores) | Period to which it relates | Forum where the dispute is pending |
|---|-----------------------|---------------------------|----------------------------|---|---|
| Sales Tax/ Value added Act under various states | Sales Tax | 17.18 | 0.13 | 2003-04, 2006-07, 2010-11 to 2015-16 | Assistant Commissioner |
| Sales Tax/ Value added Act under various states | Sales Tax | 13.98 | 1.24 | 2004-05, 2009-10 to 2013-14, 2015-16 | Deputy Commissioner |
| Sales Tax/ Value added Act under various states | Sales Tax | 15.97 | 2.24 | 2006-07, 2008-09 to 2016-17 | Deputy Commissioner (Appeals) |
| Sales Tax/ Value added Act under various states | Sales Tax | 0.96 | 1.01 | 2005-06 to 2008-09, 2010-11 | High Court |
| Sales Tax/ Value added Act under various states | Sales Tax | 0.11 | 0.73 | 2007-08, 2009-10, 2013-14, 2016-17 | Joint Commissioner |
| Sales Tax/ Value added Act under various states | Sales Tax | 14.15 | 2.53 | 2004-05, 2006-07, 2008-09, 2011-12 to 2014-15 | Joint Commissioner (Appeals) |
| Sales Tax/ Value added Act under various states | Sales Tax | 11.84 | 4.27 | 2001-02, 2003-04, 2005-06 to 2007-08, 2009-10, 2010-11, 2012-13 to 2014-15, 2016-17 | Sales Tax Tribunal |
| Sales Tax/ Value added Act under various states | Sales Tax | 0.01 | 0.01 | 2013-14 | Special Commissioner (Appeals) |
| Sales Tax/ Value added Act under various states | Sales Tax | 9.12 | 2.64 | 2005-06, 2008-09, 2009-10 to 2012-13 | Tax Board |
| Sales Tax/ Value added Act under various states | Sales Tax | 0.01 | 0.00 | 2009-10 and 2014-15 | Intelligence Officer |
| Entry Tax Act | Entry Tax | 0.01 | - | 2009-10 | Additional Commissioner (Appeals) |
| Entry Tax Act | Entry Tax | 0.35 | 0.05 | 2008-09 to 2010-11, 2014-15 | Assessing Officer |
| Entry Tax Act | Entry Tax | 0.04 | 0.00 | 2010-11, 2014-15 | Deputy Commissioner (Appeals) |
| Entry Tax Act | Entry Tax | 0.12 | 0.01 | 2012-13, 2013-14 | High Court |
| Entry Tax Act | Entry Tax | 0.09 | 0.11 | 2010-11, 2011-12, 2014-15 | Tax Board |
| Central Sales tax Act, 1956 | CST | 1.33 | 0.40 | 2007-08, 2008-09, 2010-11 to 2014-15 | Additional Commissioner (Appeals) |

| Name of Act | Nature of dues | Demand (in crores) | Deposit (in crores) | Period to which it relates | Forum where the dispute is pending |
|-----------------------------|----------------|--------------------|---------------------|---|------------------------------------|
| Central Sales tax Act, 1956 | CST | 1.98 | 0.34 | 2004-05, 2009-10, 2010-11, 2013-14 to 2016-17 | Assessing Officer |
| Central Sales tax Act, 1956 | CST | 0.07 | 0.01 | 2003-04, 2013-14, 2014-15 | Assistant Commissioner |
| Central Sales tax Act, 1956 | CST | 1.55 | 0.46 | 2012-13, 2013-14 | Commissioner (Appeals) |
| Central Sales tax Act, 1956 | CST | 0.63 | 0.23 | 2012-13, 2013-14 | Deputy Commissioner |
| Central Sales tax Act, 1956 | CST | 6.23 | 0.79 | 2006-07, 2008-09 to 2013-14, 2015-16 | Deputy Commissioner (Appeals) |
| Central Sales tax Act, 1956 | CST | 0.28 | 0.30 | 2006-07, 2009-10 | Joint Commissioner |
| Central Sales tax Act, 1956 | CST | 0.63 | 0.39 | 2005-06, 2011-12, 2013-14, 2014-15 | Joint Commissioner (Appeals) |
| Central Sales tax Act, 1956 | CST | 2.14 | 0.96 | 2001-02 to 2005-06, 2007-08, 2010-11, 2011-12 | Sales Tax Tribunal |
| Central Sales tax Act, 1956 | CST | 0.10 | - | 2013-14 | Special Commissioner (Appeals) |
| Central Sales tax Act, 1956 | CST | 0.66 | - | 2006-07 and 2008-09 | Tax Board |

- (viii) According to the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowings to any banks or financial institution. The Company did not have any outstanding loans or borrowings from Government and there were no debentures issued during the year or outstanding as at 31 March 2020.
- (ix) According to the information and explanations given to us, the moneys raised by way of term loans have been applied for the purpose for which they were obtained. The Company has not raised any moneys by way of initial public offer or further public offer (including debt instruments).
- (x) According to the information and explanations given to us, no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year.
- (xi) According to the information and explanations given to us and based on our examination of records of the Company, the managerial remuneration has paid / provided by the Company in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.
- (xii) According to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, paragraph 3(xii) of the Order is not applicable to the Company.
- (xiii) According to the information and explanations given to us and on the basis of our examination of the records of the Company, all transactions with the related parties are in compliance with the Section 177 and Section 188 of the Act, where applicable, and details of such transactions have been disclosed in the standalone financial statements as required by the applicable accounting standards.

- (xiv) 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 made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, paragraph 3(xiv) of the Order is not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not entered into any non- cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable to the Company.
- (xvi) According to the information and explanations given to us, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For **B S R & Associates LLP**
Chartered Accountants
Firm Registration No.:116231W/W-100024

Sandeep Batra
Partner
Membership No.: 093320
ICAI UDIN: 20093320AAAAAS8482

Place: New Delhi
Date: 15 June 2020



Annexure B To Independent Auditors' Report

Annexure B to the Independent Auditor's report on the standalone financial statements of HCL Infosystems Limited for the period ended 31 March 2020

Report on the internal financial controls with reference to the aforesaid standalone financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

(Referred to in paragraph 2(A)(g) 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 Infosystems Limited ("the Company") as of 31 March 2020 in conjunction with our audit of the standalone 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 2020, 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 Responsibility 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 Companies Act, 2013 (hereinafter referred to as "the Act").

Auditors' 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 whether 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 such internal financial controls, 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 standalone 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 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.

Place: New Delhi
Date: 15 June 2020

For **B S R & Associates LLP**
Chartered Accountants
Firm's Registration No.: 116231W/W-100024

Sandeep Batra
Partner
Membership No.: 093320
ICAI UDIN: 20093320AAAAAS8482

Standalone Balance Sheet as at March 31, 2020

| | Notes | As at 31.03.2020 | | As at 31.03.2019 | |
|--|-------------|------------------|---------------|------------------|-----------------|
| | | ₹/Crores | | ₹/Crores | |
| I. ASSETS | | | | | |
| (1) Non-current assets | | | | | |
| Property, plant and equipment | 3 (a) | 53.60 | | 58.24 | |
| Right of use assets | 3 (b) | 0.84 | | | |
| Capital work-in-progress | 3(c) | - | | 0.04 | |
| Intangible assets | 4 | 0.36 | | 0.94 | |
| Financial Assets | | | | | |
| (i) Investments | 5 | 0.04 | | 0.04 | |
| (ii) Other financial assets | 6 | 34.85 | | 71.67 | |
| Deferred tax assets (net) | 7 | - | | 63.55 | |
| Advance income tax (net) | 8 | 44.46 | | 41.95 | |
| Other non-current assets | 9 | 196.96 | 331.11 | 183.29 | 419.72 |
| (2) Current assets | | | | | |
| Inventories | 10 | 24.24 | | 85.30 | |
| Financial Assets | | | | | |
| (i) Trade receivables | 11 | 158.38 | | 379.55 | |
| (ii) Cash and cash equivalents | 12 | 37.56 | | 38.99 | |
| (iii) Bank balances other than (ii) above | 13 | 22.22 | | 116.31 | |
| (iv) Loans | 14 | 203.56 | | 515.59 | |
| (v) Other financial assets | 15 | 34.33 | | 72.72 | |
| Other current assets | 16 | 46.43 | 526.72 | 55.02 | 1,263.48 |
| Assets held for sale | 51 (a), (b) | | - | | 14.26 |
| Total Assets | | | 857.83 | | 1,697.46 |
| II. EQUITY AND LIABILITIES | | | | | |
| (1) Equity | | | | | |
| Equity share capital | 17 | 65.84 | | 65.84 | |
| Other equity | 18 | (105.66) | (39.82) | 212.99 | 278.83 |
| (2) Liabilities | | | | | |
| Non-current liabilities | | | | | |
| Financial liabilities | | | | | |
| (i) Borrowings | 19(i) | 22.75 | | 94.40 | |
| (ii) Lease obligation | 19(ii) | 1.03 | | - | |
| Provisions | 20 | 2.27 | 26.05 | 6.02 | 100.42 |
| Current liabilities | | | | | |
| Financial liabilities | | | | | |
| (i) Borrowings | 21 | 420.60 | | 494.99 | |
| (ii) Trade payables | 22 | | | | |
| (a) Total outstanding dues of micro enterprises and small enterprises | | 6.71 | | 4.03 | |
| (b) Total outstanding dues of creditors other than micro enterprises and small enterprises | | 341.49 | | 517.78 | |
| (iii) Other financial liabilities | 23 | 76.38 | | 264.91 | |
| Other current liabilities | 24 | 14.63 | | 28.99 | |
| Provisions | 25 | 11.79 | 871.60 | 7.51 | 1,318.21 |
| Total Equity and Liabilities | | | 857.83 | | 1,697.46 |
| Significant Accounting Policies | 2 | | | | |

The notes referred to above form an integral part of the financial statements.

As per our report of even date attached

For B S R & Associates LLP

Chartered Accountants

ICAI Registration Number-116231W/W-100024

Sandeep Batra

Partner

Membership Number - 093320

For and on behalf of the Board of Directors of

HCL Infosystems Limited

Pawan Kumar Danwar

Director

DIN - 06847503

Kapil Kapur

Chief Financial Officer

Kaushik Dutta

Director

DIN - 03328890

Sushil Kumar Jain

Company Secretary

New Delhi, June 15, 2020

Noida, June 15, 2020

Standalone Statement of Profit and Loss for the year ended March 31, 2020

| | Notes | Year ended 31.03.2020 | | Year ended 31.03.2019 | |
|---|-------|-----------------------|-----------------|-----------------------|----------|
| | | ₹/Crores | | ₹/Crores | |
| Income : | | | | | |
| Revenue from operations | 26 | | 1,648.13 | | 3,581.32 |
| Other income | 27 | | 29.65 | | 60.21 |
| Total income | | | 1,677.78 | | 3,641.53 |
| Expenses : | | | | | |
| Cost of materials consumed | | | 0.00 | | 0.04 |
| Purchase of stock-in-trade | | | 1,547.99 | | 3,252.20 |
| Changes in inventories of finished stock-in-trade | 28 | | 61.05 | | 193.01 |
| Other direct expense | 29 | | 6.89 | | 28.37 |
| Employee benefits expense | 30 | | 56.54 | | 65.88 |
| Finance costs | 31 | | 84.27 | | 103.37 |
| Depreciation and amortization expense | 3,4 | | 7.41 | | 8.38 |
| Other expenses | 32 | | 66.81 | | 63.38 |
| Total expenses | | | 1,830.96 | | 3,714.63 |
| Loss before exceptional items and tax | | | (153.18) | | (73.10) |
| Exceptional items | 36 | | (101.71) | | (133.23) |
| Loss before tax | | | (254.89) | | (206.33) |
| Income tax expense: | | | | | |
| Current tax | | | - | | - |
| Deferred tax | 48 | 63.55 | 63.55 | | - |
| Loss for the year | | | (318.44) | | (206.33) |
| Other comprehensive income | | | | | |
| A. Items that will not be reclassified to profit or loss | | | | | |
| (i) Gain/(loss) on remeasurement of defined benefit plan | 45 | | (0.21) | | (0.99) |
| (ii) Income tax relating to items that will not be reclassified to profit or loss | | | - | | (0.99) |
| Total comprehensive loss for the year | | | (318.65) | | (207.32) |
| Earnings per share (in ₹) | 43 | | | | |
| - Basic and diluted (of ₹ 2/- each) | | | (9.67) | | (6.27) |
| Significant accounting policies | 2 | | | | |

The notes referred to above form an integral part of the financial statements.

As per our report of even date attached

For B S R & Associates LLP

Chartered Accountants

ICAI Registration Number-116231W/W-100024

Sandeep Batra

Partner

Membership Number - 093320

For and on behalf of the Board of Directors of

HCL Infosystems Limited

Pawan Kumar Danwar

Director

DIN - 06847503

Kapil Kapur

Chief Financial Officer

Noida, June 15, 2020

Kaushik Dutta

Director

DIN - 03328890

Sushil Kumar Jain

Company Secretary

New Delhi, June 15, 2020

Standalone Cash Flow Statement

for the year ended March 31, 2020

| | Notes | Year ended 31.03.2020 | | Year ended 31.03.2019 | |
|---|-------|-----------------------|-----------------|-----------------------|----------|
| | | ₹/Crores | | ₹/Crores | |
| 1. Cash Flow from Operating Activities: | | | | | |
| Loss before tax | | | (254.89) | | (206.33) |
| Adjustments for: | | | | | |
| Depreciation and amortisation expense | | 7.41 | | 8.38 | |
| Finance cost | | 84.27 | | 103.37 | |
| Interest income | | (14.94) | | (26.93) | |
| Dividend income | | - | | (1.65) | |
| Net profit on sale of properties | | (15.74) | | (0.03) | |
| Property, plant and equipment written-off | | 0.12 | | 0.00 | |
| Gain on sale of investment carried at FVTPL | | - | | (3.34) | |
| Diminution other than temporary in the value of long term investment | | - | | 56.05 | |
| Provision against inter company deposits given to subsidiaries | | 117.36 | | 78.83 | |
| Gain on foreign exchange fluctuation | | (0.94) | | (1.54) | |
| Provision for doubtful debts | | 4.09 | | - | |
| Provisions/liabilities no longer required written back | | (1.95) | 179.68 | (4.18) | 208.96 |
| Operating profit before working capital changes | | | (75.21) | | 2.63 |
| Changes in operating assets and liabilities | | | | | |
| - Decrease in trade receivables | | 217.08 | | 183.18 | |
| - Increase in non-current assets | | (15.28) | | (109.39) | |
| - Decrease in current assets | | 50.14 | | 26.54 | |
| - Decrease in inventories | | 61.06 | | 193.27 | |
| - (Decrease)/increase in non current liabilities | | (3.75) | | 1.46 | |
| - Decrease in current liabilities | | (181.18) | 128.07 | (146.76) | 148.30 |
| Cash generated from operations | | | 52.86 | | 150.93 |
| - Taxes paid (net) | | | (2.52) | | (15.94) |
| Net cash generated from operating activities | (A) | | 50.34 | | 134.99 |
| 2. Cash flow from investing activities: | | | | | |
| Purchase of properties plant and equipments and intangible assets | | (0.32) | | (0.68) | |
| Proceeds from sale of properties | | 29.91 | | 0.55 | |
| Proceeds from sale of investments | | - | | 110.53 | |
| Interest received | | 14.94 | | 28.05 | |
| Redemption/maturity of bank deposits (net) | | 85.57 | | (104.21) | |
| Movement in margin money account (net) | | (3.55) | | (0.12) | |
| Movement in balances with banks on dividend account | | 0.12 | | 0.50 | |
| Dividend received on investments | | - | | 1.65 | |
| Inter corporate deposits given | | (470.20) | | (509.97) | |
| Inter corporate deposits received back | | 665.62 | | 593.38 | |
| Receipt of business consideration on sale of investment in subsidiaries | | 50.21 | 372.30 | 14.96 | 134.64 |
| Net cash generated from investing activities | (B) | | 372.30 | | 134.64 |

| | Notes | Year ended 31.03.2020 | | Year ended 31.03.2019 | |
|---|---------|-----------------------|-----------------|-----------------------|----------|
| | | ₹/Crores | | ₹/Crores | |
| 3. Cash Flow from Financing Activities: | | | | | |
| Proceeds from loans and borrowings | | 1,785.43 | | 1274.92 | |
| Repayment of loans and borrowings | | (2,120.40) | | (1,449.04) | |
| Lease obligation paid | | (1.49) | | | |
| Interest paid | | (87.29) | | (101.41) | |
| Unclaimed dividend transferred to investor protection fund | | (0.12) | (423.87) | (0.50) | (276.03) |
| Net cash used in financing activities | (C) | | (423.87) | | (276.03) |
| Net decrease in cash and cash equivalents | (A+B+C) | | (1.23) | | (6.40) |
| Opening balance of cash and cash equivalents | | | 38.99 | | 45.49 |
| Exchange difference on translation of foreign currency cash and cash equivalent | | | (0.20) | | (0.10) |
| Closing balance of cash and cash equivalents | | | 37.56 | | 38.99 |
| Cash and cash equivalents comprise of | | | 37.56 | | 38.99 |
| Cash, cheques and drafts (on hand) | | | - | | 17.78 |
| Balances with banks on current accounts | | | 37.56 | | 21.21 |

Notes:

Figures in brackets indicate cash outflow.

The above cash flow from operating activities has been prepared under the "Indirect Method" as set out in Indian Accounting Standard (Ind AS) 7- Statement of cash flows.

As per our report of even date attached

For B S R & Associates LLP

Chartered Accountants

ICAI Registration Number-116231W/W-100024

Sandeep Batra

Partner

Membership Number - 093320

New Delhi, June 15, 2020

For and on behalf of the Board of Directors of
HCL Infosystems Limited

Pawan Kumar Danwar

Director

DIN - 06847503

Kapil Kapur

Chief Financial Officer

Noida, June 15, 2020

Kaushik Dutta

Director

DIN - 03328890

Sushil Kumar Jain

Company Secretary

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

a. Equity Share Capital

₹/Crores

| | Number of Equity Shares | Equity Share Capital |
|--------------------------|-------------------------|----------------------|
| Balance as at 01.04.2018 | 329,209,928 | 65.84 |
| Balance as at 31.03.2019 | 329,209,928 | 65.84 |
| Balance as at 01.04.2019 | 329,209,928 | 65.84 |
| Balance as at 31.03.2020 | 329,209,928 | 65.84 |

b. Other Equity

₹/Crores

| Particulars | Reserves and Surplus | | | Total |
|---|----------------------------|-----------------|-------------------|-----------------|
| | Securities Premium Reserve | General Reserve | Retained Earnings | |
| Balance as at 01.04.2018 | 1,194.38 | 215.83 | (989.90) | 420.31 |
| Loss for the year | - | - | (206.33) | (206.33) |
| Other comprehensive income for the year | - | - | (0.99) | (0.99) |
| Balance as at 31.03.2019 | 1,194.38 | 215.83 | (1,197.22) | 212.99 |
| Balance as at 01.04.2019 | 1,194.38 | 215.83 | (1,197.22) | 212.99 |
| Loss for the year | - | - | (318.44) | (318.44) |
| Other comprehensive income for the year | - | - | (0.21) | (0.21) |
| Balance as at 31.03.2020 | 1,194.38 | 215.83 | (1,515.87) | (105.66) |

As per our report of even date attached

For B S R & Associates LLP

Chartered Accountants

ICAI Registration Number-116231W/W-100024

Sandeep Batra

Partner

Membership Number - 093320

New Delhi, June 15, 2020

 For and on behalf of the Board of Directors of
HCL Infosystems Limited
Pawan Kumar Danwar

Director

DIN - 06847503

Kapil Kapur

Chief Financial Officer

Noida, June 15, 2020

Kaushik Dutta

Director

DIN - 03328890

Sushil Kumar Jain

Company Secretary

Notes to the Standalone Financial Statements

1. Corporate information

HCL Infosystems Limited ('the Company') is domiciled and incorporated in India and publicly traded on the National Stock Exchange of India Limited ('NSE') and the BSE Limited ('BSE') in India. The registered office of the Company is situated at 806, Siddharth, 96, Nehru Place, New Delhi - 110019.

The Company is primarily engaged in value-added distribution of technology, mobility and consumer electronic products. The financial statements were approved by the Board of Directors and authorised for issue on 15.06.2020.

2. Significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation and measurement

(i) Basis of preparation

These financial statements has been prepared in accordance with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the Act) [Companies (Indian Accounting Standards) Rules, 2015] and other relevant provisions of the Act.

The statement of cash flows have been prepared under indirect method.

These standalone financial statements have been prepared in Indian Rupee (₹) which is the functional currency of the Company.

(ii) Basis of measurement

The financial statements have been prepared on a going concern basis using historical cost convention and on accrual method of accounting, except for the certain financials assets and liabilities which have been measured at fair value as explained in the accounting policies below.

2.2 Recent Indian Accounting Standards (Ind AS)

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards. There is no such notification which would have been applicable from April 1, 2020.

2.3 Use of estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires the management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses disclosure of contingent liabilities and contingent assets at the date of the financial statements and the results of operations during the reporting period. The actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

2.4 Critical accounting estimates, assumptions and judgements

In the process of applying the Company's accounting policies, management has made the following estimates, assumptions and judgements, which have significant effect on the amounts recognised in the financial statement:

a) Property, plant and equipment

Management engages external adviser or internal technical team to assess the remaining useful lives and residual value of property, plant and equipment. Management believes that the assigned useful lives and residual value are reasonable.

b) Intangibles

Internal technical or user team assess the remaining useful lives of intangible assets. Management believes that assigned useful lives are reasonable.

c) Income taxes

Management judgment is required for the calculation of provision for income taxes and deferred tax assets and liabilities. The Company reviews at each balance sheet date the carrying amount of deferred tax assets. The factors used in estimates may differ from actual outcome which could lead to significant adjustment to the amounts reported in the financial statements.

d) Contingencies

Management judgement is required for estimating the possible outflow of resources, if any, in respect of contingencies/claim/litigations against the Company as it is not possible to predict the outcome of pending matters with accuracy.

Notes to the Standalone Financial Statements

- e) Allowance for uncollected trade receivable and advances
Trade receivables do not carry any interest and are stated at their amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts. Individual trade receivables are written off when management deems them not to be collectible. Impairment is made on the expected credit losses, which are the present value of the cash shortfall over the expected life of the financial assets.
- f) Liquidated damages
Liquidated damages payable are estimated and recorded as per contractual terms; estimate may vary from actual as levied by customer.
- g) Impairment of investments
Investments in subsidiaries are reviewed for impairment, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Such circumstances include, though are not limited to, significant or sustained decline in revenues or earnings and material adverse changes in the economic environment.
Impairment test is performed at entity level. An impairment loss is recognised whenever the carrying amount of investment exceeds its recoverable amount.
The recoverable amount is the greater of its fair value less costs to sell and value in use. To calculate value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset. The calculation involves use of significant estimates and assumptions which include turnover and gross margin, growth rate and net margin used to calculate projected future cash flows, discount rate and long term growth rate.
- h) Revenue recognition
- The Company's contracts with customers could include promises to transfer multiple products and services to a customer. The Company assesses the products / services promised in a contract and identifies distinct performance obligations in the contract. Identification of distinct performance obligation involves judgement to determine the deliverables and the ability of the customer to benefit independently from such deliverables.
 - Judgement is also required to determine the transaction price for the contract. The transaction price could be either a fixed amount of customer consideration or variable consideration with elements such as volume discounts, service level credits, performance bonuses, price concessions and incentives. The transaction price is also adjusted for the effects of the time value of money if the contract includes a significant financing component. Any consideration payable to the customer is adjusted to the transaction price, unless it is a payment for a distinct product or service from the customer. The estimated amount of variable consideration is adjusted in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and is reassessed at the end of each reporting period. The Company allocates the elements of variable considerations to all the performance obligations of the contract unless there is observable evidence that they pertain to one or more distinct performance obligations.
 - The Company uses judgement to determine an appropriate standalone selling price for a performance obligation. In case of multiple performance obligations the Company allocates the transaction price to each performance obligation on the basis of the relative standalone selling price of each distinct product or service promised in the contract. Where standalone selling price is not observable, the Company uses the expected cost plus margin approach to allocate the transaction price to each distinct performance obligation.
 - The Company exercises judgement in determining whether the performance obligation is satisfied at a point in time or over a period of time. The Company considers indicators such as how customer consumes benefits as services are rendered or who controls the asset as it is being created or existence of enforceable right to payment for performance to date and alternate use of such product or service, transfer of significant risks and rewards to the customer, acceptance of delivery by the customer, etc.
 - Revenue for fixed-price contract is recognised using percentage-of-completion method. The Company uses judgement to estimate the future cost-to-completion of the contracts which is used to determine the degree of completion of the performance obligation.

2.5 Current versus non-current classification

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013. Based on the nature of products and the

Notes to the Standalone Financial Statements

time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current – non-current classification of assets and liabilities.

2.6 Property, plant and equipment

Freehold land is carried at historical cost. All other items of property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of profit and loss on the date of disposal or retirement.

Subsequent costs are capitalised on the carrying amount or recognised as a separate asset, as appropriate, only when future economic benefits associated with the item are probable to flow to the Company and cost of the item can be measured reliably. All other repair and maintenance are charged to statement of profit and loss during the reporting period in which they are incurred.

Depreciation on property, plant and equipment is provided on straight-line basis over the useful lives of assets as determined on the basis of technical estimates which are similar to the useful lives as prescribed under Schedule II to the Companies Act, 2013.

Assets residual values, depreciation method and useful lives are reviewed at each financial year end considering the physical condition of the assets or whenever there are indicators for review and adjusted residual life prospectively. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Leasehold land is amortised over a period of lease. Leasehold improvements are amortised on straight line basis over the period of three years or lease period whichever is lower.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in statement of profit and loss within other income.

2.7 Intangible assets

Identifiable intangible assets are recognised when the Company controls the asset, it is probable that future economic benefits attributed to the asset will flow to the Company and the cost of the asset can be reliably measured.

At initial recognition, the separately acquired intangible assets are recognised at cost. The cost of intangible assets that are acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, the intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any.

Amortisation is recognised in statement of profit and loss on a straight line basis over the estimated useful lives of intangible assets from the date they are available for use. The amortisation period and the amortisation method are reviewed at least at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly. Gains or losses arising from the retirement or disposal of an intangible asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognised as income or expense in the statement of profit and loss.

Softwares

Softwares are capitalised at the amounts paid to acquire the respective license for use and are amortised over the period of license.

Intangible Assets are amortised at straight line basis as follows:

| | |
|----------|-----------|
| Software | 1-5 years |
|----------|-----------|

2.8 Leases

The Company has adopted IND AS 116 Leases for the first time for the annual period beginning on 1 April 2019.

IND AS 116 Leases

The Company has adopted IND AS 116 using the modified retrospective approach. Accordingly, the comparative information presented for 2019 is not restated – i.e. it is presented, as previously reported, under IND AS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IND AS 116 have not generally been applied to comparative information.

Notes to the Standalone Financial Statements

Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under Appendices C of IND AS 17 Determining whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in IND AS 116.

On transition to IND AS 116, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IND AS 116 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IND AS 17 and Appendices C of IND AS 17 were not reassessed for whether there is a lease under IND AS 116. Therefore, the definition of a lease under IND AS 116 was applied only to contracts entered into or changed on or after 1 April 2019.

As a lessee

As a lessee, the Company leases many assets including properties and office equipment. The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IND AS 116, the Company recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of property the Company has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component

As a lessor

Lease income from operating leases where the Company is a lessor is recognised as income on a straight-line basis over the lease term unless the receipts are structured to increase in line with expected general inflation to compensate for the expected inflationary cost increases. The respective leased assets are included in the balance sheet based on their nature.

Assets given under finance lease are recognised as receivables at an amount equal to the net investment in the lease. Inventories given on finance lease are recognised as deemed sale at fair value. Lease income is recognised over the period of the lease so as to yield a constant rate of return on the net investment in the lease.

2.9 Financial instruments

A. Financial instruments – Initial recognition and measurement

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. The Company determines the classification of its financial assets and liabilities at initial recognition. All financial assets and liabilities are initially recognised at fair value plus directly attributable transaction costs in case of financial assets and liabilities not at fair value through profit or loss. Financial assets and liabilities carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of profit and loss.

B. Financial assets

1. Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Debt instrument

a. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are classified as held for trading unless they are designated as effective hedging instruments. Financial assets are designated upon initial recognition at fair value through profit or loss when the same are managed by the Company on the basis of their fair value and their performance is evaluated on fair value basis in accordance with a risk management or investment strategy of the Company. Financial assets at fair value through profit or loss are carried in the balance sheet at fair value with changes in fair value recognised in other income in the statement of profit and loss.

Notes to the Standalone Financial Statements

b. Financial assets measured at amortised cost

Loans and receivables are non-derivative financial assets that are held for collection of contractual cash flows, where the assets' cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in other income in the statement of profit and loss.

c. Fair value through other comprehensive income (FVOCI):

Financial assets are measured at fair value through other comprehensive income (OCI) if these financial assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in statement of profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/ (losses). Interest income from these financial assets is included in other income using the effective interest rate method.

Investment in subsidiaries

Investment in subsidiaries is carried at cost in standalone financial statement.

Equity instruments

The Company subsequently measures all equity investments at fair value. Dividends from such investments are recognised in statement of profit and loss as other income when the Company's right to receive payments is established.

2. Derecognition

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expires or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset.

C. Financial liabilities

1. Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities measured at amortised cost

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate method. The effective interest rate method's amortisation is included in finance costs in the statement of profit and loss.

2. Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit and loss.

D. Offsetting financial instruments

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

E. Derivative financial instruments - current versus non-current classification

Derivative instruments will be held for a period beyond twelve months after the reporting date, are classified as noncurrent (or separated into current and non-current portions) consistent with the classification of the underlying item. These are classified as current, when the remaining holding period is up to twelve months after the reporting date.

Notes to the Standalone Financial Statements

F. Fair value measurement

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1- Quoted (Unadjusted) marked prices in the active markets for identical assets or liabilities

Level 2- Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3- Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

2.10 Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised in respect of temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes. Deferred tax is also recognised of carried forward tax losses and tax credits. Deferred tax is not recognised for:

- temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of transaction; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be used. The existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore in case of a history of recent losses, the Company recognised a deferred tax assets only to the extent that it has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which such deferred tax assets can be realised. Deferred tax assets-unrecognised or recognised, are reviewed at each reporting date and are recognised / reduced to the extent that it is probable/no longer probable respectively that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to apply to the period when the assets is realised or the liability is settled based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amounts of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or no different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

2.11 Inventories

Raw materials, stock-in-trade and finished goods are stated at the lower of cost and net realisable value.

Cost of raw materials and stock-in-trade comprises cost of purchases. Cost of finished goods comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost of inventories also includes all other costs incurred in bringing the inventories to their present location and condition. Cost is determined on the basis of weighted average. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Goods in-transit is valued inclusive of custom duty, where applicable.

Notes to the Standalone Financial Statements

2.12 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.13 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.14 Impairment of assets

a. Financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables only, the Company applies the simplified approach permitted by Ind AS 109 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

b. Non-financial assets

Intangible assets and property, plant and equipment

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

If such assets are considered to be impaired, the impairment to be recognized in the statement of profit and loss is measured by the amount by which the carrying value of the assets exceeds the estimated recoverable amount of the asset. An impairment loss is reversed in the statement of profit and loss if there has been a change in the estimates used to determine the recoverable amount. The carrying amount of the asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

c. Investment in subsidiaries

Investments in subsidiaries are reviewed for impairment, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Such circumstances include, though are not limited to, significant or sustained decline in revenues or earnings and material adverse changes in the economic environment.

Impairment test is performed at entity level. An impairment loss is recognised whenever the carrying amount of Investment exceeds its recoverable amount.

The recoverable amount is the greater of its fair value less costs to sell and value in use. To calculate value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset.

Fair value less costs to sell is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants less the costs of disposal. Impairment losses, if any are recognised in the statement of profit and loss.

Other impairment losses are only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had previously been recognised.

2.15 Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The sale is considered highly probable only when the asset or disposal group is available for immediate sale in its present condition, it is unlikely that the sale will be withdrawn and sale is expected within one year from the date of the classification. Disposal groups classified as held for sale are stated at the lower of carrying amount and fair value less costs to sell.

Notes to the Standalone Financial Statements

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately in the balance sheet.

If the criteria stated by Ind AS 105 "Non-current Assets Held for Sale and Discontinued Operations" are no longer met, the disposal group ceases to be classified as held for sale. Non-current asset that ceases to be classified as held for sale are measured at the lower of (i) its carrying amount before the asset was classified as held for sale, adjusted for depreciation that would have been recognised had that asset not been classified as held for sale, and (ii) its recoverable amount at the date when the disposal group ceases to be classified as held for sale.

2.16 Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid in accordance with the terms with the vendors. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in statement of profit and loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in statement of profit and loss as other gains/(losses).

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Where there is a breach of a material provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, the entity does not classify the liability as current, if the lender agreed, after the reporting period and before the approval of the financial statements for issue, not to demand payment as a consequence of the breach.

2.18 Provisions, contingent liabilities and contingent assets

a) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

b) Contingencies

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 or a reliable estimate of the amount cannot be made. Information on contingent liability is disclosed in the notes to the financial statements.

Contingent assets are possible assets that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent assets are disclosed where an inflow of economic benefits is probable.

Notes to the Standalone Financial Statements

2.19 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The Company's operations are primarily in India. The financial statements are presented in Indian rupee (INR), which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in statement of profit and loss.

Foreign exchange differences regarded as an adjustment to borrowing costs are presented in the statement of profit and loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit and loss on a net basis within other income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

2.20 Revenue recognition

The Company derives revenues primarily from sale of products. Revenue is measured at the fair value of the consideration received or receivable.

Sale of products

Timing of recognition

The Company is engaged into the business of –

- Purchase/ sale and distribution of IT products, including computer hardware and mobile handsets.

Revenue from the sale of products is recognised at the point in time when control is transferred to the customer

Measurement of revenue

Revenue is measured based on the transaction price, which is the consideration, adjusted for volume discounts, service level credits, performance bonuses, price concessions and incentives, if any, as specified in the contract with the customer. Revenue also excludes taxes collected from customers.

Revenue from services

Timing of recognition

Service income includes income from IT infrastructure managed services, break-fix services, office automation maintenance services and managed print services. Revenues relating to time and materials contracts are recognized as the related services are rendered. Revenue in case of fixed price contracts is recognised on percentage of completion basis of accounting with contract costs incurred determining the degree of completion of the performance obligation. The contract costs used in computing the revenues include cost of fulfilling warranty obligations. Revenue related to fixed price maintenance and support services contracts where the Company is standing ready to provide services is recognised based on time elapsed mode and revenue is straight lined over the period of performance.

Measurement of revenue

Revenue is based on the price specified in the sales contract, net of the estimated volume discounts. For separately identified component from multiple element arrangement, pertaining to the sale of services, the revenues are measured based on fair value allocated to such component within the overall arrangement.

Estimates of revenue, costs or extent of progress towards completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in statement of profit and loss in the period in which the circumstances that give rise to the revision become known by management.

Interest income

Interest income from loans and receivables (debt instruments) is recognised using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses.

Notes to the Standalone Financial Statements

2.21 Employee benefits

Defined benefit plans

Gratuity

The liability recognised in the balance sheet is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

The present value is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit and loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in statement of profit and loss as past service cost.

Provident Fund

In respect of certain employees, provident fund contributions are made to a multi-employer Trust administered by the Company. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of the year and any shortfall in the fund size maintained by the Trust set up by the Company is additionally provided for. Actuarial losses/gains are recognised in the statement of profit and loss in the year in which they arise.

Defined contribution plans

Contributions to the employees' state insurance fund, administered by the prescribed government authorities, are made in accordance with the Employees' State Insurance Act, 1948 and are recognised as an expense on an accrual basis.

Company's contribution towards Superannuation Fund is accounted for on accrual basis.

The Company makes defined contributions to a Superannuation Trust established for the purpose. The Company has no further obligation beyond the monthly contributions.

Other benefits

Compensated absences

Accumulated compensated absences, which are expected to be availed or encashed within 12 months from the end of the year end are treated as short term employee benefits. The obligation towards the same is measured at the expected cost of accumulating compensated absences as a result of the unused entitlement as at the year end.

Accumulated compensated absences, which are expected to be availed or encashed beyond 12 months from the end of the year end are treated as other long term employee benefits. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. Actuarial losses/ gains are recognised in the statement of profit and loss in the year in which they arise.

Long term employee benefits

Employee benefits, which are expected to be availed or encashed beyond 12 months from the end of the year, are treated as other long term employee benefits. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year.

Employee options

The fair value of options granted is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions
- excluding the impact of any service and non-market performance vesting conditions, and
- including the impact of any non-vesting conditions

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that

Notes to the Standalone Financial Statements

are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in statement of profit or loss, with a corresponding adjustment to equity.

2.22 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2.23 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company
- by the weighted average number of equity shares outstanding during the financial year

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential equity shares, and
- the weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.

2.24 Exceptional items

Items which are material either because of their size or their nature, and which are non-recurring, are highlighted through separate disclosure. The separate reporting of exceptional items helps provide a better picture of the Company's underlying performance.

3 (a) Property, plant and equipment

The changes in carrying value of property, plant and equipment

₹/Crores

| Particulars | Gross Carrying Amount | | | | Accumulated Depreciation | | | | Net Carrying Amount |
|----------------------------|-----------------------|------------------------|----------------------|------------------|--------------------------|------------------------|----------------------|------------------|---------------------|
| | As at 01.04.2019 | Additions / Adjustment | Disposal/ Adjustment | As at 31.03.2020 | As at 01.04.2019 | Additions / Adjustment | Disposal/ Adjustment | As at 31.03.2020 | As at 31.03.2020 |
| Leasehold land | 12.33 | - | - | 12.33 | 0.60 | 0.16 | - | 0.76 | 11.57 |
| Leasehold improvements | 1.47 | - | - | 1.47 | 1.04 | 0.43 | - | 1.47 | - |
| Freehold land [^] | 3.90 | - | - | 3.90 | - | - | - | - | 3.90 |
| Buildings [^] | 36.95 | - | - | 36.95 | 3.92 | 1.12 | - | 5.04 | 31.91 |
| Plant and machinery | 3.56 | - | 0.07 | 3.49 | 2.13 | 0.48 | 0.07 | 2.54 | 0.95 |
| Furniture and fixtures | 5.97 | - | 0.04 | 5.93 | 2.89 | 0.61 | 0.04 | 3.46 | 2.47 |
| Office equipment | 2.34 | 0.13 | 0.10 | 2.37 | 1.29 | 0.39 | 0.10 | 1.58 | 0.79 |
| Vehicles | 1.87 | - | 0.28 | 1.59 | 1.59 | 0.26 | 0.28 | 1.57 | 0.02 |
| Computers | 6.05 | 0.27 | 0.53 | 5.79 | 2.74 | 1.57 | 0.51 | 3.80 | 1.99 |
| Total | 74.44 | 0.40 | 1.02 | 73.82 | 16.20 | 5.02 | 1.00 | 20.22 | 53.60 |

Note :
[^]Land and Building at Ambattur amounting to ₹ 3.12 crores (2019 - ₹ 3.16 crores) are pending for registration in the name of the Company.

₹/Crores

| Particulars | Gross Carrying Amount | | | | Accumulated Depreciation | | | | Net Carrying Amount |
|----------------------------|-----------------------|-------------|-----------------------|------------------|--------------------------|-------------|-----------------------|------------------|---------------------|
| | As at 01.04.2018 | Additions | Disposal/ Adjustment* | As at 31.03.2019 | As at 01.04.2018 | Additions | Disposal/ Adjustment* | As at 31.03.2019 | As at 31.03.2019 |
| Leasehold land | 12.33 | - | - | 12.33 | 0.44 | 0.16 | - | 0.60 | 11.73 |
| Leasehold improvements | 1.47 | - | - | 1.47 | - | 1.04 | - | 1.04 | 0.43 |
| Freehold land [^] | 7.65 | - | 3.75 | 3.90 | - | - | - | - | 3.90 |
| Buildings [^] | 48.32 | - | 11.37 | 36.95 | 3.50 | 1.28 | 0.86 | 3.92 | 33.03 |
| Plant and machinery | 3.58 | - | 0.02 | 3.56 | 1.64 | 0.50 | 0.01 | 2.13 | 1.43 |
| Furniture and fixtures | 6.21 | - | 0.24 | 5.97 | 2.31 | 0.68 | 0.10 | 2.89 | 3.08 |
| Office equipment | 2.62 | 0.02 | 0.30 | 2.34 | 1.01 | 0.48 | 0.20 | 1.29 | 1.05 |
| Vehicles | 2.80 | - | 0.93 | 1.87 | 1.61 | 0.65 | 0.67 | 1.59 | 0.28 |
| Computers | 6.96 | 0.37 | 1.28 | 6.05 | 1.59 | 2.42 | 1.27 | 2.74 | 3.31 |
| Total | 91.94 | 0.39 | 17.89 | 74.44 | 12.10 | 7.21 | 3.11 | 16.20 | 58.24 |

Note :
[^]Land and Building at Ambattur amounting to ₹ 3.16 crores (2018 - ₹ 3.20 crores) are pending for registration in the name of the Company.

* As at 31.03.2019, it includes assets classified as held for sale of gross carrying amount of ₹ 15.12 crores, accumulated depreciation of ₹ 0.86 crores and net carrying amount of ₹ 14.26 crores. {Refer note 51 (a)}.

3 (b) Right of use Assets

₹/Crores

| Particulars | Gross Carrying Amount | | | | Accumulated Depreciation | | | | Net Carrying Amount |
|---------------------|-----------------------|------------------------|----------------------|------------------|--------------------------|------------------------|----------------------|------------------|---------------------|
| | As at 01.04.2019 | Additions / Adjustment | Disposal/ Adjustment | As at 31.03.2020 | As at 01.04.2019 | Additions / Adjustment | Disposal/ Adjustment | As at 31.03.2020 | As at 31.03.2020 |
| Right of use assets | - | 2.52 | - | 2.52 | - | 1.68 | - | 1.68 | 0.84 |
| Total | - | 2.52 | - | 2.52 | - | 1.68 | - | 1.68 | 0.84 |

₹/Crores

| Particulars | Gross Carrying Amount | | | | Accumulated Depreciation | | | | Net Carrying Amount |
|---------------------|-----------------------|------------------------|----------------------|------------------|--------------------------|------------------------|----------------------|------------------|---------------------|
| | As at 01.04.2018 | Additions / Adjustment | Disposal/ Adjustment | As at 31.03.2019 | As at 01.04.2018 | Additions / Adjustment | Disposal/ Adjustment | As at 31.03.2019 | As at 31.03.2019 |
| Right of use assets | - | - | - | - | - | - | - | - | - |
| Total | - | - | - | - | - | - | - | - | - |

3 (c) Capital work-in-progress

| Particulars | As at 01.04.2019 | Addition | Capitalisation /Adjustment | As at 31.03.2020 |
|--------------------------|---------------------|----------|-------------------------------|---------------------|
| Capital work-in-progress | 0.04 | - | 0.04 | - |

4 Intangible Assets

The changes in carrying value of intangible assets

₹/Crores

| Particulars | Gross Carrying Amount | | | | Accumulated Amortisation | | | | Net Carrying Amount |
|--------------|-----------------------|---------------------------|-------------------------|---------------------|--------------------------|---------------------------|-------------------------|---------------------|---------------------|
| | As at 01.04.2019 | Additions / Adjustment | Disposal/ Adjustment | As at 31.03.2020 | As at 01.04.2019 | Additions / Adjustment | Disposal/ Adjustment | As at 31.03.2020 | As at 31.03.2020 |
| Software | 2.37 | 0.13 | - | 2.50 | 1.43 | 0.71 | - | 2.14 | 0.36 |
| Total | 2.37 | 0.13 | - | 2.50 | 1.43 | 0.71 | - | 2.14 | 0.36 |

₹/Crores

| Particulars | Gross Carrying Amount | | | | Accumulated Amortisation | | | | Net Carrying Amount |
|--------------|-----------------------|-----------|-------------------------|---------------------|--------------------------|-------------|-------------------------|---------------------|---------------------|
| | As at 01.04.2018 | Additions | Disposal/ Adjustment | As at 31.03.2019 | As at 01.04.2018 | Additions | Disposal/ Adjustment | As at 31.03.2019 | As at 31.03.2019 |
| Software | 2.37 | - | - | 2.37 | 0.26 | 1.17 | - | 1.43 | 0.94 |
| Total | 2.37 | - | - | 2.37 | 0.26 | 1.17 | - | 1.43 | 0.94 |

| | As at 31.03.2020 | | As at 31.03.2019 | |
|---|---------------------|--------------------|---------------------|--------------------|
| | Units | Amount ₹/Crores | Units | Amount ₹/Crores |
| 5 Non-current investments | | | | |
| <u>Unquoted</u> | | | | |
| <u>Investments in equity instruments of subsidiaries</u> | | | | |
| <u>(At cost)</u> | | | | |
| Digilife Distribution and Marketing Services Limited | 5,60,50,000 | 56.05 | 56,050,000 | 56.05 |
| Pimpri Chinchwad eServices Limited | 42,500 | 0.04 | 42,500 | 0.04 |
| HCL Infotech Limited | 2,20,300 | 668.46 | 220,300 | 668.46 |
| HCL Learning Limited | 75,274 | 166.46 | 75,274 | 166.46 |
| | | 891.01 | | 891.01 |
| Less: Impairment in the value of investment * | | 890.97 | | 890.97 |
| Total investments in equity instruments of subsidiaries | | 0.04 | | 0.04 |
| * Impairment for investment in subsidiaries | | | | |
| -Digilife Distribution and Marketing Services Limited | | 56.05 | | 56.05 |
| -HCL Infotech Limited | | 668.46 | | 668.46 |
| -HCL Learning Limited | | 166.46 | | 166.46 |
| | | 890.97 | | 890.97 |
| Aggregate book value of unquoted investments | | 0.04 | | 0.04 |
| Aggregate amount of impairment in the value of investments | | 890.97 | | 890.97 |

| | As at 31.03.2020 | | As at 31.03.2019 | |
|---|---------------------|--------------------|---------------------|--------------------|
| | Units | Amount ₹/Crores | Units | Amount ₹/Crores |
| 6 Other non-current financial assets | | | | |
| Security deposits | | 0.66 | | 0.86 |
| Balance with bank- margin money | | 11.96 | | - |
| Business consideration receivable (refer note 49) | | 22.23 | | 70.81 |
| | | 34.85 | | 71.68 |
| 7 Deferred tax assets (net) | | | | |
| Deferred tax assets (refer note 48) | | - | | 63.55 |
| | | - | | 63.55 |
| 8 Advance income tax asset (Net) | | | | |
| Advance income tax [Provision for income tax of ₹ 46.65 crores (2019 - ₹ 46.65 crores)] | | 44.46 | | 41.95 |
| | | 44.46 | | 41.95 |
| 9 Other non-current assets | | | | |
| Unsecured | | | | |
| Capital advances | | 0.01 | | 0.19 |
| Deposits with tax authorities | | 196.94 | | 183.10 |
| Prepaid expenses | | 0.01 | | |
| Considered doubtful | | | | |
| Capital advances | - | | | |
| Less: Allowance for doubtful loans and advances | - | - | 0.50 | |
| Unsecured, Considered Good | | - | 0.50 | - |
| | | 196.96 | | 183.29 |

| | As at 31.03.2020 | | As at 31.03.2019 | |
|--|------------------|--------------------|------------------|--------------------|
| | | Amount ₹/Crores | | Amount ₹/Crores |
| 10 Inventories | | | | |
| Stock-in-trade [Including in-transit ₹ 2.81 crores (2019 - ₹ 11.44 crores)] | | 24.24 | | 85.30 |
| | | 24.24 | | 85.30 |
| Write - downs of inventories to net realisable value recognised as an expense during the year amounts to ₹ 1.54 crores (2019 - ₹ 2.45 crores). These were included in changes in value of inventories of stock-in-trade and finished goods' in standalone statement of profit and loss. | | | | |

| | As at 31.03.2020 | | As at 31.03.2019 | |
|--|------------------|--------------------|------------------|--------------------|
| | | Amount ₹/Crores | | Amount ₹/Crores |
| 11 Trade receivables (refer Note 46) | | | | |
| Unsecured: | | | | |
| Considered good | | 158.38 | | 379.55 |
| Considered doubtful | | 37.98 | | 35.93 |
| | | 196.36 | | 415.48 |
| Less : Allowance for doubtful debts | | 37.98 | 158.38 | 35.93 |
| | | | | 379.55 |
| 12 Cash and cash equivalents | | | | |
| Balances with banks | | | | |
| - Current account | | 37.56 | | 21.21 |
| Cheques on hand | | - | | 17.78 |
| Bank deposits with original maturity of three months or less | | 0.31 | | 0.31 |
| Less: Money held in trust | | 0.31 | | - |
| | | | | |
| | | 37.56 | | 38.99 |
| 13 Other bank balances | | | | |
| Bank deposits with upto twelve months* | | 17.10 | | 114.62 |
| Balances with banks | | | | |
| - On dividend account | | - | | 0.12 |
| - On margin account^ | | 5.12 | | 1.57 |
| | | 22.22 | | 116.31 |
| | | | | |
| * includes ₹ 17.10 crores (2019 - ₹ 15 crores) lien marked with Banks. | | | | |
| ^ includes ₹ 1.38 crores (2019 - ₹ 1.02 crores) which is held in the name of Karvy Innotech Limited for and on behalf of the Company | | | | |
| 14 Loans | | | | |
| Unsecured | | | | |
| Considered good | | | | |
| Loans and advances to subsidiaries (refer note 46) | | 203.56 | | 515.59 |
| Considered doubtful | | | | |
| Loans and advances to subsidiaries (refer note 46) | | 363.04 | | 242.56 |
| Less: Allowance for doubtful loans and advances to subsidiaries | | 363.04 | | 242.56 |
| | | | | |
| | | 203.56 | | 515.59 |

Note:

Unsecured loan given to subsidiaries is repayable on demand and carries interest rate 6.37%-5.28%.

| | As at 31.03.2020 | | As at 31.03.2019 | |
|---|------------------|--------------------|------------------|--------------------|
| | | Amount ₹/Crores | | Amount ₹/Crores |
| 15 Other current financial assets | | | | |
| Considered good | | | | |
| Security deposits | | 0.32 | | 0.07 |
| Claims recoverable from vendor [^] | | 29.03 | | 56.13 |
| Others* {(refer note 46, 50)} | | 4.98 | | 16.52 |
| Considered doubtful | | | | |
| Others | 1.06 | | 1.06 | |
| (includes employee advances, insurance claim recoverable) | | | | |
| Less: Allowance for doubtful advances | 1.06 | - | 1.06 | - |
| | | 34.33 | | 72.72 |
| * includes ₹ 2.40 crores (2019 - ₹ 4.04 crores) recoverable from related parties and ₹ 1.47 crores (2019 - ₹ 3.10 crores) business consideration receivable from Qness Corp Limited. ^ Net of ₹ 15.00 crores (2019-Nil) written off during the year. | | | | |
| 16 Other current assets | | | | |
| Unsecured | | | | |
| Considered good | | | | |
| Balances with customs, port trust, excise, sales tax and goods and service tax authorities | | 38.21 | | 43.28 |
| Advances to creditors | | 0.57 | | 5.31 |
| Prepaid expenses | | 5.05 | | 4.48 |
| Others recoverable | | 2.60 | | 1.95 |
| Considered Doubtful | | | | |
| Deposits and other advances | 5.78 | | 6.59 | |
| Less: Allowance for doubtful advances | 5.78 | - | 6.59 | - |
| | | 46.43 | | 55.02 |
| 17 Share capital | | | | |
| Authorised | | | | |
| 55,25,00,000 Equity Shares (2019 - 55,25,00,000) of ₹ 2/- each | | 110.50 | | 110.50 |
| 5,00,000 Preference Shares (2019 - 5,00,000) of ₹ 100/- each | | 5.00 | | 5.00 |
| | | 115.50 | | 115.50 |
| Issued, Subscribed and Fully Paid up | | | | |
| 32,92,09,928 Equity Shares (2019 - 32,92,09,928) of ₹ 2/- each | | 65.84 | | 65.84 |
| | | 65.84 | | 65.84 |

Notes:
(i) Rights attached to equity shares:

The Company has only one class of equity share having a face value of ₹ 2/- each. Each holder of equity shares is entitled to one vote per share held. The Company declares and pays dividend in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the Shareholders in ensuing Annual General Meeting, except in case of interim dividend.

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 Shareholders.

| (ii) | Shareholders holding more than 5% of the aggregate shares in the Company | Number of Shares | % of shares | Number of Shares | % of shares |
|------|--|------------------|-------------|------------------|-------------|
| | (a) HCL Corporation Private Limited | 164,421,399 | 49.94 | 164,421,399 | 49.94 |
| | (b) VAMA Sundari Investments (Delhi) Private Limited | 42,603,194 | 12.94 | 42,603,194 | 12.94 |

(iii) Shares reserved for issue under options:

Information related to Employee Stock Option Plan, including details of options issued, exercised, expired and forfeited during the financial year and options outstanding at the end of the reporting period, is set out in note 41.

| | As at 31.03.2020 ₹/Crores | As at 31.03.2019 ₹/Crores |
|---|---------------------------------|---------------------------------|
| 18 Other Equity | | |
| A. Reserve and surplus | | |
| (a) Securities premium reserves | | |
| Opening balance | 1,194.38 | 1,194.38 |
| On issue of shares | - | - |
| Closing Balance | 1,194.38 | 1,194.38 |
| (b) General reserve | | |
| Opening balance | 215.83 | 215.83 |
| Closing balance | 215.83 | 215.83 |
| (c) Retained earnings | | |
| Opening balance | (1,197.22) | (989.90) |
| Net Loss for the year | (318.44) | (206.33) |
| Remeasurement of post employment benefit obligation, net of tax | (0.21) | (0.99) |
| Closing balance | (1,515.87) | (1,197.22) |
| | (105.66) | 212.99 |
| 19 (i) Non-current borrowings | | |
| Unsecured: | | |
| Term Loans | | |
| - From others | 22.75 | 94.40 |
| | 22.75 | 94.40 |
| 19 (ii) Lease obligation (refer note 42) | | |
| | 1.03 | - |
| | 1.03 | - |

Notes:

- Secured Term Loan from Bank and Others amounting to NIL (2019 - ₹ 7.18 Crores), out of which NIL (2019 - ₹ 7.18 Crores) is shown under current maturity of long term debt, was secured by way of (a) First pari passu charge on identified immovable assets and all movable and intangible assets of the HCL Infosystems Limited and its subsidiaries (b) First pari-passu charge on all current assets of the HCL Infosystems Limited and its subsidiaries (except lease rental receivables). (c) Negative lien on two identified properties (d) Exclusive charge on debt service reserve account created by way of lien on fixed deposits of NIL (2019 - ₹ 24.84 crores).The loan was repayable in 13 quarterly installments starting from September 2016 and carries interest @ 10.55% p.a.
- Unsecured Term loans from Others amounting to ₹ 63.75 Crores (2019 - ₹ 242.65 Crores), out of which ₹ 41.00 Crores (2019 - ₹ 148.25 Crores) is shown under current maturity of long term debt, is repayable in 12 to 20 equal quarterly instalments from the date of the disbursement which carries interest @ 10.75% to 12.50% p.a.
- Secured Term loans from Bank amounting to Nil (2019 - ₹ 74.45 Crores), out of which Nil (2019 - ₹ 74.45 Crores) is shown under current maturity of long term debt, was secured by way of subservient charge on current and movable fixed assets of the Company and was repayable in 4 equal quarterly instalments after a moratorium period of 6 months from the date of the disbursement which carries interest @ 10% p.a.

Note: As at 31.03.2020, subsidiaries include HCL Infotech Limited and HCL Learning Limited.

| | As at 31.03.2020 ₹/Crores | As at 31.03.2019 ₹/Crores |
|--|---------------------------------|---------------------------------|
| 20 Non-current provisions | | |
| Provision for gratuity and other employee benefits (refer note 45) [includes ₹ 0.41 crores (2019 - Nil) for leave encashment and ₹ 0.15 crores (2019 - ₹ 2.99 crores) other employee benefits] | 2.27 | 6.02 |
| | 2.27 | 6.02 |
| 21 Current borrowings | | |
| Secured: | | |
| Loans from banks | | |
| - Term loans | 362.62 | 418.44 |
| - Cash credits | 11.29 | 16.29 |
| | 373.91 | 434.73 |
| Unsecured: | | |
| Loans repayable on demand | | |
| - From Banks* | - | 31.98 |
| - From others* | 20.69 | 28.28 |
| - From related parties (refer note 46) | 26.00 | - |
| | 46.69 | 60.26 |
| | 420.60 | 494.99 |

Notes:

- Secured Term Loan from Banks amounting to ₹ 50.00 Crores (2019 - ₹ 124.37 Crores) is secured by way of (1) First pari passu charge on all immovable, movable and intangible assets of the HCL Infosystems Limited and its subsidiaries (2) First pari-passu charge on all current assets of the HCL Infosystems Limited and its subsidiaries (except lease rental receivables). (3) Negative lien on two identified properties. It carries interest @ 8.75% p.a.
- Short Term Loan of ₹ 74.00 Crores (2019 - ₹ 99.98 Crores) is secured by way of subservient charge on stock and receivables of the Company and against support from HCL Corporation Private Limited. Short term loan of ₹ 74.00 crores is repayable in one year from the date of disbursement and carries interest @ 9.35% p.a.
- Secured Loan (Cash Credit and WCDL) from Banks amounting to ₹ 100.78 Crores (2019 - ₹ 36.29 Crores) are secured by way of (1) First pari passu charge on 9 identified immovable, movable and intangible assets of the HCL Infosystems Limited and its subsidiaries (2) First pari-passu charge on all current assets of the HCL Infosystems Limited and its subsidiaries (except lease rental receivables). (3) Negative lien on two identified properties. (4) Lien on Fixed Deposit of ₹ 1.01 Crs.
- Short Term Loan of Nil (2019 - ₹ 24.95 Crores) was secured by way of subservient charge on current and movable fixed assets of the Company, repayable after 6 months from the date of disbursement and carries interest @ 10.50% p.a.
- Unsecured Intercompany Loan from HCL Corporation Private Limited amounting to ₹ 26 Crs (2019 - NIL) is repayable in 90 days from the date of avilment of each tranche, which carries interest @ 10% p.a.
- Secured Term loans from Banks amounting to ₹ 149.13 Crores (2019 - ₹ 149.14 Crores) is secured by way of subservient charge on current assets of the Company and against Support from HCL Corporation Private Limited and lien on fixed deposit for ₹ 16.09 crores is repayable in 1 yearly installments from the date of the disbursement which carries interest @ 8.50% p.a.

* Includes ₹ 20.69 crores (2019- ₹ 60.26 crores) of extended supplier's credit.

Note: As at 31.03.2020, subsidiaries include HCL Infotech Limited and HCL Learning Limited.

| | As at 31.03.2020 ₹/Crores | As at 31.03.2019 ₹/Crores |
|--|---------------------------------|---------------------------------|
| 22 Trade payables (refer note 46) | | |
| Trade payables | | |
| (a) Total outstanding dues of micro enterprises and small enterprises (refer note 38) and | 6.71 | 4.03 |
| (b) Total outstanding dues of creditors other than micro enterprises and small enterprises [includes acceptance ₹ 25.19 crores (2019 - ₹ 34.25 crores)] | 314.49 | 517.78 |
| | 348.20 | 521.81 |
| 23 Other current financial liabilities | | |
| Current maturities of long-term debts {refer note 19(i)} | 41.00 | 229.88 |
| Interest accrued but not due on borrowings | 2.67 | 5.69 |
| Other payable to related parties (refer note 46) | 14.11 | 14.11 |
| Deposits | 3.11 | 2.67 |
| Unpaid dividends/ deposits* | 0.47 | 0.59 |
| Employee benefits payable | 14.82 | 11.76 |
| Capital creditors | 0.20 | 0.21 |
| | 76.38 | 264.91 |
| * includes outstanding matured deposits of ₹ 0.47 crores (2019 - ₹ 0.47 crores) to be credited to Investor Education and Protection Fund under Section 125 of the Companies Act, 2013, which has been credited to Investor Education and Protection Fund subsequent to year end. | | |
| 24 Other current liabilities | | |
| Deferred revenue | 1.28 | 0.56 |
| Advances received from customers | 6.93 | 17.69 |
| Others | 3.03 | 3.33 |
| Statutory dues payable | 3.39 | 7.41 |
| | 14.63 | 28.99 |
| 25 Current provisions | | |
| Provision for gratuity and other employee benefits (refer note 45)# | 5.29 | 2.66 |
| Provision for litigation {refer note 37 (c)} | 6.50 | 4.85 |
| | 11.79 | 7.51 |
| # includes ₹ 0.50 Crores (2019- ₹ 0.98 crores) for provision for leave encashment and ₹ 3.13 Crores (2019 - ₹ 0.86 Crores) for other employee benefits | | |

| | Year ended 31.03.2020 ₹/Crores | Year ended 31.03.2019 ₹/Crores |
|---|--------------------------------------|--------------------------------------|
| 26 Revenue from operations | | |
| Sale of products | 1,642.97 | 3,559.65 |
| Sale of services | 5.16 | 21.67 |
| | 1,648.13 | 3,581.32 |
| 27 Other income | | |
| Interest income from financial asset at amortised cost | | |
| - On fixed deposits (gross) | 4.87 | 4.25 |
| - On intercompany deposits | 10.07 | 22.69 |
| Dividend from investment in mutual funds | - | 1.65 |
| Gain on sale of investment carried at FVTPL | - | 3.34 |
| Net profit on sale of property, plant and equipment | 0.09 | 0.03 |
| Gain on foreign exchange fluctuation | 1.14 | 1.65 |
| Provisions/liabilities no longer required written back | 1.95 | 4.18 |
| Scrap sale | 0.13 | 0.13 |
| Miscellaneous income | 11.40 | 22.29 |
| | 29.65 | 60.21 |
| 28 Changes in inventories of finished goods and stock-in-trade | | |
| Closing balance | | |
| - Finished goods (including in transit) | - | - |
| - Stock-in-trade | 24.24 | 85.30 |
| | 24.25 | 85.30 |
| Opening balance | | |
| - Finished goods (including in transit) | - | 0.18 |
| - Stock-in-trade | 85.30 | 278.13 |
| | 85.30 | 278.31 |
| Changes in inventories of stock-in-trade | 61.05 | 193.01 |
| 29 Other direct expenses | | |
| Purchase of services | 6.33 | 17.08 |
| Spares and stores consumed | 0.56 | 11.29 |
| | 6.89 | 28.37 |
| 30 Employee benefits expense | | |
| Salaries, wages, bonus and gratuity (refer note 45) | 54.42 | 63.18 |
| Contribution to provident and other funds (refer note 45) | 1.65 | 1.99 |
| Staff welfare expenses | 0.47 | 0.71 |
| | 56.54 | 65.88 |

| | Year ended 31.03.2020 ₹/Crores | Year ended 31.03.2019 ₹/Crores |
|--|--------------------------------------|--------------------------------------|
| 31 Finance costs | | |
| Interest* | 70.91 | 90.90 |
| Other borrowing costs | 13.36 | 12.47 |
| | 84.27 | 103.37 |
| *includes ₹ 0.18 crores (2019 - nil) interest on lease obligations (refer note 42) | | |
| 32 Other expenses | | |
| Rent (refer note 42) | 5.90 | 8.29 |
| Rates and taxes | 12.39 | 1.62 |
| Printing and stationery | 0.30 | 0.44 |
| Communication | 0.70 | 1.44 |
| Travelling and conveyance | 3.37 | 3.99 |
| Packing, freight and forwarding | 2.18 | 3.85 |
| Legal, professional and consultancy charges (refer note 40) | 18.35 | 14.45 |
| Retainership expenses | 5.79 | 5.90 |
| Training and conference | 0.38 | 0.70 |
| Office electricity and water | 2.93 | 4.12 |
| Insurance | 6.05 | 5.26 |
| Advertisement, publicity and entertainment | 0.21 | 1.43 |
| Hire charges | 0.20 | 0.45 |
| Commission on sales | 0.45 | 0.65 |
| Bank charges | 4.57 | 7.55 |
| Allowance for doubtful debts | 4.09 | 5.23 |
| Property, plant and equipment written-off | 0.12 | 0.00 |
| Repairs | | |
| - Plant and machinery | 0.27 | 0.36 |
| - Buildings | 0.53 | 0.91 |
| - Others | 3.16 | 4.42 |
| Miscellaneous | 2.70 | 2.38 |
| | 74.64 | 73.43 |
| Less: Operating cost recovered from subsidiaries | 7.83 | 10.05 |
| | 66.81 | 63.38 |

HCL INFOSYSTEMS

Financial Instruments and Risk Management

33 Fair Value Measurements

The carrying value of financial instruments by categories are as under :

| ₹/Crores | | | | | | |
|---|--------|----------------|-----------------------------------|----------------------|----------------------|----------------------|
| Particulars | Notes | At cost | Fair value through Profit or Loss | Amortised Cost | Total Carrying Value | Total Fair Value |
| Financial assets | | | | | | |
| Non-current assets | | | | | | |
| (i) Investment in subsidiaries | 5 | 0.04 (0.04) | - | - | 0.04 (0.04) | 0.04 (0.04) |
| (ii) Others | 6 | - | - | 34.85 (71.68) | 34.85 (71.68) | 34.85 (71.68) |
| | | 0.04 (0.04) | - (-) | 34.85 (71.68) | 34.89 (71.72) | 34.89 (71.72) |
| Current assets | | | | | | |
| (i) Trade receivables | 11 | - | - | 158.38 (379.55) | 158.38 (379.55) | 158.38 (379.55) |
| (ii) Cash and cash equivalents | 12 | - | - | 37.56 (102.82) | 37.56 (102.82) | 37.56 (102.82) |
| (iii) Bank balances other than (ii) above | 13 | - | - | 22.22 (52.48) | 22.22 (52.48) | 22.22 (52.48) |
| (iv) Loans | 14 | - | - | 203.56 (515.59) | 203.56 (515.59) | 203.56 (515.59) |
| (v) Others | 15 | - | - | 34.33 (72.71) | 34.33 (72.71) | 34.33 (72.71) |
| | | - (-) | - (-) | 456.05 (1,123.15) | 456.05 (1,123.15) | 456.05 (1,123.15) |
| Financial liabilities | | | | | | |
| Non-current liabilities | | | | | | |
| (i) Borrowings | 19(i) | - | - | 22.75 (94.40) | 22.75 (94.40) | 22.75 (94.40) |
| (ii) Lease obligation | 19(ii) | - | - | 1.03 (0.00) | 1.03 (0.00) | 1.03 (0.00) |
| | | - (-) | - (-) | 23.78 (94.40) | 23.78 (94.40) | 23.78 (94.40) |
| Current liabilities | | | | | | |
| (i) Borrowings | 21 | - | - | 420.60 (494.99) | 420.60 (494.99) | 420.60 (494.99) |
| (ii) Trade payables | 22 | - | - | 348.20 (522.28) | 348.20 (522.28) | 348.20 (522.28) |
| (iii) Other financial liabilities | 23 | - | - | 76.38 (264.44) | 76.38 (264.44) | 76.38 (264.44) |
| | | - (-) | - (-) | 845.18 (1,281.71) | 845.18 (1,281.71) | 845.18 (1,281.71) |

Note: Previous year figures are given in brackets.

34 Financial Risk Management

The Company's activities expose it to market risk, liquidity risk and credit risk. The Company's financial risk management is an integral part of how to plan and execute its business strategies.

In order to minimize any adverse effects on the financial performance of the Company, derivative financial instruments, such as foreign exchange forward contracts are entered to hedge certain foreign currency exposures. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.

This note explains the sources of risk which the entity is exposed to and how the entity manages the risk and the impact of hedge accounting in the financial statements.

| Risk | Exposure Arising from | Measurement | Management |
|--------------------------------|--|---|---|
| Credit Risk | Investments, trade receivables, cash and cash equivalents, bank balances, loans and other financial assets | Ageing analysis, credit appraisal | Diversification of bank deposits, investments, credit limits and letters of credit |
| Liquidity risk | Borrowings, trade payable and other financial liabilities | Rolling cash flow forecasts | Availability of committed credit lines, borrowing facilities and liquid investments |
| Market risk - foreign exchange | Future commercial transactions Recognized financial assets not denominated in Indian rupee (INR) | Hedging percentage sensitivity analysis | Forward foreign exchange contracts |
| Market risk - interest rate | Long-term borrowings at variable rates | Sensitivity analysis | Replacement of high cost debt with low cost debt |

The Company's risk management is carried out by the treasury and credit control department under policies approved by the senior management and audit committee.

Financial Risk Management

Credit Risk

Credit risk arise from possibility that customer may default on its obligation resulting into financial loss. The maximum exposure to the credit risk is primarily from trade receivables.

Credit risk on cash and cash equivalent and bank balances is not significant as it majorly includes deposits with bank and financial institutions with high credit ratings assigned by international and domestic credit rating agencies.

The credit risk is managed by the Company through credit approvals, establishing the financial reliability of the customers taking into account the financial condition, analysis of historical bad debts and ageing of accounts receivables. Individual limits are set accordingly by the Company's credit control department.

The Company uses a provision matrix to compute the expected credit loss for trade receivables. The provision matrix takes into consideration historical credit loss experience and other relevant available external and internal credit risk factors.

Following table provides agewise breakup of receivables

| | ₹/Crores | |
|----------------------------|---------------------|---------------------|
| | As at 31.03.2020 | As at 31.03.2019 |
| Not Due | 47.64 | 263.13 |
| 0-90 days past due | 72.52 | 74.53 |
| 91-180 days past due | 14.72 | 23.45 |
| 181-365 days past due | 22.33 | 16.25 |
| 1 - 2 years past due | 12.09 | 9.98 |
| More than 2 years past due | 27.06 | 28.14 |
| | 196.36 | 415.48 |

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Company. The Company categorises a trade receivable for write off when a debtor fails to make contractual payments greater than 3 years past due. Where loans or receivables have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in statement profit and loss.

The summary of life time expected credit loss allowance made on customer balances during the year and balance at the year end is given below:

| | ₹/Crores | |
|---------------------------------|---------------------|---------------------|
| | As at 31.03.2020 | As at 31.03.2019 |
| Balance at the beginning | 35.93 | 30.34 |
| Add: Provided during the year | 4.09 | 7.04 |
| Less: Amounts written off | (2.04) | (1.45) |
| Balance at the end | 37.98 | 35.93 |

Financial Risk Management

Liquidity risk:

Liquidity risk is the risk that the Company will not be able to settle or meet its obligations on time or at a reasonable price. The Company's treasury department is responsible for liquidity, funding as well as settlement management. In addition, processes and policies related to such risks are overseen by senior management. Management monitors the Company's net liquidity position through rolling forecasts on the basis of expected cash flows.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments

| | ₹/Crores | | | | | |
|---|----------------|--------------|------------------|--------------|--------------|-------------------|
| Particulars | Carrying Value | On demand | Less than 1 year | 1 to 2 Years | 2 to 5 Years | More than 5 Years |
| Non-derivatives | | | | | | |
| Borrowings | | | | | | |
| -From Banks | 373.91 | 11.29 | 362.62 | - | - | - |
| | (547.13) | (16.30) | (530.83) | (0.00) | - | - |
| -From Others | 110.44 | - | 87.69 | 22.75 | - | - |
| | (272.14) | - | (177.74) | (94.40) | - | - |
| Lease obligation | 1.03 | - | - | 1.03 | - | - |
| | (0.00) | - | - | (0.00) | - | - |
| Trade payables | 348.20 | - | 348.20 | - | - | - |
| | (521.81) | - | (521.81) | - | - | - |
| Other financial liabilities | | | | | | |
| -Deposits | 3.11 | - | 3.11 | - | - | - |
| | (2.67) | - | (2.67) | - | - | - |
| -Interest accrued but not due on borrowings | 2.67 | - | 2.67 | - | - | - |
| | (5.69) | - | (5.69) | - | - | - |
| -Other Payable to related parties | 14.11 | - | 14.11 | - | - | - |
| | (14.11) | - | (14.11) | - | - | - |
| -Capital Creditors | 0.20 | - | 0.20 | - | - | - |
| | (0.22) | - | (0.22) | - | - | - |
| -Unpaid dividends/ deposits | 0.47 | - | 0.47 | - | - | - |
| | (0.59) | - | (0.59) | - | - | - |
| -Employee Benefits Payable | 14.82 | - | 14.82 | - | - | - |
| | (11.75) | - | (11.75) | - | - | - |
| Total non-derivative liabilities | 868.96 | 11.29 | 833.89 | 23.78 | - | - |
| | (1376.11) | (16.30) | (1265.41) | (94.40) | (0.00) | (0.00) |

Note: Previous year figures are given in brackets.

Financial Risk Management
Market Risk
(i) Interest rate risk

The Company's main interest rate risk arise from borrowings with variable interest rates, which exposes the Company to cash flow interest rate risk. As at 31.03.2020, the Company has ₹ 11.29 crores (2019- ₹ 158.19 crores) of borrowings with variable interest rates. In order to optimize the Company's position with regards to interest expenses and to manage the interest rate risk, treasury performs a comprehensive corporate interest rate risk management by balancing of fixed rate and floating rate financial instruments in its total portfolio.

(a) Interest rate risk exposure

The exposure of the Company's borrowing to interest rate changes at the end of the reporting period are as follows:

| | ₹/Crores | |
|--------------------------|---------------------|---------------------|
| | As at 31.03.2020 | As at 31.03.2019 |
| Variable rate borrowings | 11.29 | 158.19 |
| Fixed rate borrowings | 473.06 | 661.08 |
| Total borrowings | 484.35 | 819.27 |

As at the end of the reporting period, the Company had the following variable rate borrowings:

| | As at 31.03.2020 | | | As at 31.03.2019 | | |
|---|--------------------------------------|---------|---------------------|--------------------------------------|---------|---------------------|
| | Weighted average interest rate | Balance | % of total loans | Weighted average interest rate | Balance | % of total loans |
| Bank loans, Cash credits | 10.03% | 11.29 | 2.33% | 10.11% | 158.19 | 19.31% |
| Net exposure to cash flow interest rate risk | | 11.29 | | | 158.19 | |

(b) Sensitivity

Profit or loss is sensitive to higher / lower interest expense from borrowings as a result of changes in interest rates.

| | ₹/Crores | | | |
|--|--------------------------|--------------------------|---|--------------------------|
| | Impact on loss after tax | | Impact on other components of equity | |
| | Year ended 31.03.2020 | Year ended 31.03.2019 | Year ended 31.03.2020 | Year ended 31.03.2019 |
| Interest rates - increase by 10 basis points | (0.01) | (0.11) | (0.01) | (0.11) |
| Interest rates - decrease by 10 basis points | 0.01 | 0.11 | 0.01 | 0.11 |

Financial Risk Management
Market Risk
(ii) Foreign currency risk

The Company's major operations are in India and are in INR and therefore, the Company is not exposed to significant foreign currency risk. The Company evaluates the exchange rate exposure arising from foreign currency transactions and the Company follows established risk management policies which are approved by the senior management and the Audit Committee, including the use of derivatives like foreign exchange forward contracts to hedge exposure to foreign currency risk.

(a) Foreign currency risk exposure

The Company's exposure to foreign currency risk at the end of the reporting period expressed in INR are as follows

| | ₹/Crores | | | | | |
|--|---------------|-------------|-------------|--------|-------------|-------------|
| | USD | EUR | GBP | AED | CHF | SGD |
| Financial Assets | | | | | | |
| Trade receivables | 7.75 | - | - | - | - | 2.67 |
| | (5.05) | - | - | (0.00) | - | (2.67) |
| Cash and cash equivalents | | | | | | |
| | - | - | - | - | - | 0.06 |
| | (7.58) | - | - | - | - | (0.06) |
| Net exposure to foreign currency risk (assets) | | | | | | |
| | 7.75 | - | - | - | - | 2.73 |
| | (12.64) | - | - | (0.00) | - | (2.73) |
| Financial Liabilities | | | | | | |
| Trade Payables | 10.68 | 0.03 | 0.01 | - | - | - |
| | (33.83) | (0.03) | (0.01) | - | 0.03 | - |
| Derivative liabilities | | | | | | |
| Foreign exchange forward contracts | (7.53) | - | - | - | - | - |
| | (-32.07) | - | - | - | - | - |
| Net exposure to foreign currency risk (liabilities) | | | | | | |
| | 3.15 | 0.03 | 0.01 | - | - | - |
| | (1.76) | (0.03) | (0.01) | - | 0.03 | - |

Note: Previous year figures are given in brackets.

35 Capital Management
Risk Management

The Company's objective when managing capital are to safeguard their ability to continue as going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure as at 31.03.2020 and 31.03.2019 are as follows:

| | ₹/Crores | |
|----------------------|---------------------|---------------------|
| | As at 31.03.2020 | As at 31.03.2019 |
| Total Debt | 484.35 | 819.27 |
| Equity | (39.82) | 278.83 |
| Capital and net debt | 444.53 | 1,098.10 |
| Gearing ratio | 108.96% | 74.61% |

The Company is not subject to any externally imposed capital requirements for the year ended 31.03.2020 and 31.03.2019.

36 Exceptional items :

| Particulars | ₹/Crores | |
|--|--------------------------|--------------------------|
| | Year ended 31.03.2020 | Year ended 31.03.2019 |
| a. Profit on sale of investment in Karvy Innotech Limited (formerly known as HCL Services Limited) | - | 1.15 |
| b. Profit on sale of investment in Qdigi Services Limited (formerly known as HCL Computing Products Limited) | - | 0.50 |
| c. Provision against loan given to HCL Infotech Limited and HCL Learning Limited | (117.36) | (78.83) |
| d. Provision for impairment in the value of investment in Digilife Distribution and Marketing Services Limited | - | (56.05) |
| e. Profit on sale of properties | 15.65 | - |
| Total | (101.71) | (133.23) |

- a) Pursuant to the approval by the Board of Directors of Company in its meeting held on 09.02.2018, the Company has divested its investment in Karvy Innotech Limited (formerly known as HCL Services Limited) to Karvy Data Management Services Limited. The Company signed a share purchase agreement on 31.05.2018 and the shareholding was divested on 15.06.2018.
- b) Pursuant to the approval by the Board of Directors of Company in its meeting held on 31.01.2018, the CARE business division has been transferred to QDigi Services Limited (formerly known as HCL Computing Products Limited) on 31.03.2018 and subsequently the entire investment of ₹ 0.10 crores in QDigi Services Limited (formerly known as HCL Computing Products Limited) has been sold to Qess Corp Limited on 11.04.2018 for a consideration of ₹ 0.60 crores.
- c) The Company has made provision of ₹ 117.36 crores (FY 2019 - ₹ 78.83 crores) against loan given to HCL Infotech Limited and HCL Learning Limited. The Company, considering that HCL Infotech Limited has negative net worth as on 31.03.2020, due to continuous loss incurred by the entity and based on future plan of this entity, may not be able to recover the loan given to HCL Infotech Limited upto the value of its negative net worth. Further, in case of HCL Learning, the Company doesn't expect significant operation over the next period, accordingly management based on future cash flow projection has considered these loan as doubtful and created a provision to the extent it is not recoverable.
- d) In respect of investment in Digilife Distribution and Marketing Services Limited, the Company has recognised an impairment charge of Nil (2019 - ₹ 56.05 crores) being carrying value of investment in excess of its recoverable value.
- e) The company has recognised a profit on the sale of properties of ₹ 15.65 crores in current financial year (refer note 51).

37 a) Contingent liabilities :

Claims against the Company not acknowledged as debts:

| | ₹/Crores | |
|--|---------------------|---------------------|
| | As at 31.03.2020 | As at 31.03.2019 |
| Sales tax* | 288.82 | 257.04 |
| Excise* | 151.73 | 473.81 |
| Income tax | 30.79 | 23.72 |
| Industrial disputes, civil suits and consumer disputes | 1.49 | 1.26 |

* Includes sum of ₹ 113.73 crores (2019 - ₹ 137.21 crores) deposited by the Company against the above.

The amounts shown in item (a) represents the best possible estimates arrived at on the basis of available information. The uncertainties and possible reimbursements are dependent on the out come of the different legal processes which have been initiated by the Company or the claimants as the case may be and therefore cannot be predicted accurately. It is not practicable for the Company to estimate the timing of cash outflows, if any, in respect of the above pending resolution of the respective proceedings.

b) Corporate guarantees :

Corporate guarantee of ₹ 157.44 crores (2019- ₹ 283.47 crores) was given to banks and financial institutions for working capital facilities sanctioned to subsidiaries of which the total amount utilised as at 31.03.2020 is ₹ 3.19 crores (2019 - ₹ 44.69 crores).

c) Other litigations

- (i) The Company has been named in a supplementary charge sheet filed with the Court with respect to a contract awarded to the Company in 2009 by the UP state Government, amounting to ₹ 2.94 crores (2019 - ₹ 2.94 crores), for the supply of computer hardware and related services under the National Rural Health Mission and therefore summons have been issued by the Court. CBI special court has framed charges against the company and its employee. Currently the proceedings has been stayed by Supreme Court. The management is of the view that the company has not engaged in any wrong doing.
- (ii) As at 31.03.2020, the Company has certain sales tax and other indirect tax litigation matters against which provision amounts to ₹6.50 crores (2019 - ₹ 4.85 crores) is outstanding. Provision amounting to ₹ 3.57 crores was created and ₹ 1.92 crores was utilized during the year.

38 Disclosure of Micro, Small and Medium Enterprises based on information available with the Company:

| | | ₹/Crores | |
|----|---|---------------------|---------------------|
| | | As at 31.03.2020 | As at 31.03.2019 |
| a. | (i) Principal amount remaining unpaid to any supplier as at the end of the year | 6.71 | 4.03 |
| | (ii) Interest due on the above amount | 0.12 | 0.18 |
| b. | (i) Amount of interest paid in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 (Act) | - | - |
| | (ii) Amount of principal payments made to the suppliers beyond the appointed day during the year | 53.91 | 123.61 |
| c. | Amount of interest due and payable for the period of delay in making payment but without adding the interest specified under the Act | - | - |
| d. | Amount of interest accrued and remaining unpaid at the end of the year | 1.22 | 3.10 |
| e. | Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises | - | - |

39 As per provisions of Section 135 of the Companies Act, 2013, the Company has to provide at least 2% of average net profits of the preceding three financial years towards Corporate Social Responsibility ("CSR"). Accordingly, a CSR Committee has been formed for carrying out CSR activities as per Schedule VII of the Companies Act, 2013. The Company was not required to spend/contribute to CSR activity during the year as per Section 135 of the Companies Act, 2013 as average net profit for the last three financial year is negative.

40 Remuneration to Auditors*:

| | | ₹/Crores | |
|--------------|--------------------------------|--------------------------|--------------------------|
| | | Year ended 31.03.2020 | Year ended 31.03.2019 |
| a. | Statutory audit | 1.23 | 1.17 |
| b. | Tax audit fees /certifications | 0.12 | 0.11 |
| c. | Out of pocket expenses | 0.13 | 0.12 |
| Total | | 1.48 | 1.40 |

* excluding GST as applicable

41 Employee Stock Option Plan (ESOP):

The Company had previously granted options to eligible employees under the Employee Stock Option Scheme 2000 and Employee Stock Based Compensation Plan 2005, which were to be vested in a graded manner over a period of 42 and 60 months respectively from the date of grant and are to be exercised with in a maximum period of 5 years from the date of vesting.

These options has already been exercised/surrendered/ expired in earlier years and there are no option outstanding as on 31 March 2020 and 31 March 2019.

42 Leases:
a) Cancelable Operating Leases
As Lessor:

The gross block, accumulated depreciation and depreciation expense in respect of the assets given on operating lease are as below:

| ₹/Crores | | | | | |
|--|-------------------|--------------|--------------------------|--------------|----------------------|
| Particulars | As at | Gross Block | Accumulated Depreciation | Net Block | Depreciation Expense |
| Freehold Land | 31.03.2020 | 1.87 | - | 1.87 | - |
| | 31.03.2019 | (1.01) | - | (1.01) | - |
| Building | 31.03.2020 | 13.47 | 1.19 | 12.28 | 0.23 |
| | 31.03.2019 | (2.30) | (0.17) | (2.13) | (0.04) |
| Plant and Machinery | 31.03.2020 | 2.16 | 1.71 | 0.45 | 0.36 |
| | 31.03.2019 | - | - | - | - |
| Furniture and Fixtures and Office Equipments | 31.03.2020 | 5.22 | 2.82 | 2.40 | 0.53 |
| | 31.03.2019 | - | - | - | - |
| Computers | 31.03.2020 | 0.16 | 0.16 | 0.00 | - |
| | 31.03.2019 | - | - | - | - |
| TOTAL | 31.03.2020 | 22.88 | 5.88 | 17.00 | 1.12 |
| | 31.03.2019 | (3.31) | (0.17) | (3.14) | (0.04) |

Note: Previous year figures are given in brackets.

b) As a Lessee

The Company has taken godown premises under lease. These are generally not non-cancellable leases having unexpired period upto three years. The leases are renewable by mutual consent and on mutually agreeable terms. The Company has given refundable interest free security deposits under certain lease agreements. There is no contingent rent, sublease payments or restriction imposed in the lease agreement. In terms of criteria specified in erstwhile standard on leases i.e. Ind AS 17 Leases, these leases had been classified as operating lease and yearly lease payments under these leases were expensed off as rent expenses till last year (refer note 32). Consequent to the replacement of this standard with Ind AS 116 Leases now for some of these leases (i.e. leases other than with short term period or low value assets), present value of all future lease payments has been recognised as right-of-use assets and corresponding lease liabilities with the charge for depreciation on right-of-use assets and interest on lease liabilities in the statement of profit and loss during the current year (refer note 3 & 31) and for other leases, yearly lease payments continue to be expensed off on straight line basis over lease term as rent expenses (refer note 32).

Payments recognised as expense

| Particulars | Year ended 31.03.2020 | Year ended 31.03.2019 |
|---|-----------------------|-----------------------|
| Depreciation expense - right-of-use assets (refer note 3) | 1.68 | - |
| Interest on lease liabilities (refer note 31) | 0.18 | - |
| Rent expense - short term leases (refer note 32) | 5.90 | 8.29 |

Total cash outflow for leases during the year ended 31 March 2020 is ₹ 1.49 crores (2019 - Nil).

43 Earnings per share (EPS)

Basic earnings per share is calculated by dividing the net loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The loss considered in ascertaining the Company EPS represent loss for the year after tax. Diluted EPS is computed and disclosed using the weighted average number of equity and dilutive equivalent shares outstanding during the year except when results would be anti-dilutive.

| Particulars | Year ended 31.03.2020 | Year ended 31.03.2019 |
|---|--------------------------|--------------------------|
| Loss after tax (₹/Crores) | (318.44) | (206.33) |
| Weighted average number of shares outstanding in computation of Basic EPS | 329,209,928 | 329,209,928 |
| Weighted average number of shares outstanding in computation of Diluted EPS | 329,209,928 | 329,209,928 |
| Basic and diluted (of ₹ 2/- each) | (₹9.67) | (₹6.27) |

44 Segment Reporting

The Company publishes standalone financial statements along with the consolidated financial statements in the annual report. In accordance with Indian Accounting Standard 108, Operating Segments, the Company has disclosed the segment information in the consolidated financial statements.

45 Employee benefits
(a) Defined Contribution

The Company has recognised the following amounts in the statement of profit and loss:

| | ₹/Crores | |
|--|--------------------------|--------------------------|
| | Year ended 31.03.2020 | Year ended 31.03.2019 |
| (i) Employers Contribution to Superannuation Fund* | 0.20 | 0.21 |
| (ii) Employers Contribution to National Pension Scheme* | 0.10 | 0.13 |
| (iii) Employers contribution to Employee State Insurance* | 0.01 | 0.03 |
| (iv) Employers contribution to Employee's Pension Scheme 1995* | 0.52 | 0.66 |

* Included in contribution to provident and other funds under Employee benefits expense (refer note 30).

(b) Defined Benefit

- (i) Gratuity
- (ii) Provident Fund

The Company contributes to the employee provident fund trust "Hindustan Computers Limited Employees Provident Fund Trust" which is managed by the Company. The Company's Provident Fund Trust is exempted under Section 17 of Employees' Provident Fund Act, 1952. Conditions for grant of exemptions stipulate that the employer shall make good deficiency, if any, in the interest rate declared by the trust vis-à-vis statutory rate. As per Ind AS – 19, Employee Benefits, provident funds set up by employers, which requires interest shortfall to be met by the employer, needs to be treated as defined benefit plan.

The Trust includes employees of the Company as well as of its Indian wholly owned subsidiaries. In view of the same, it is a multi employer defined benefit plan.

The Trust has been investing the provident fund contributions of the employees of its Indian wholly owned subsidiaries in a composite manner and the same cannot be separately identified entity wise.

In view of the same an actuarial valuation, in accordance with the Ind AS-19, was carried out at composite level. As per actuarial certificate there is no shortfall in the earning of fund against statutorily required "interest rate guarantee" and accordingly, the "liability on account of interest rate guarantee" is nil.

In accordance with Ind AS 19, an actuarial valuation was carried out in the respect of the aforesaid defined benefit plan based on the following assumptions:

| | Gratuity | | Provident Fund | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| | Year ended 31.03.2020 | Year ended 31.03.2019 | Year ended 31.03.2020 | Year ended 31.03.2019 |
| Discount rate (per annum) | 5.66% | 7.30% | Not Applicable | Not Applicable |
| Rate of increase in compensation levels | 5.00% | 5.00% | Not Applicable | Not Applicable |
| Rate of return on plan assets | Not Applicable | Not Applicable | Not Applicable | Not Applicable |
| Expected statutory interest rate | Not Applicable | Not Applicable | 8.50% | 8.65% |
| Expected short fall in interest earnings | Not Applicable | Not Applicable | 0.05% | 0.05% |
| Expected average remaining working lives of employees (years) | 14.00 | 16.15 | 14.00 | 16.15 |

As of 31.03.2020, every 0.5 percentage point increase / decrease in discount rate will affect gratuity benefit obligation by approximately by ₹ 0.02 crores.

As of 31.03.2020, every 0.5 percentage point increase / decrease in weighted average rate of increase in compensation levels will effect gratuity benefit obligation by approximately ₹ 0.02 crores.

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

Description of Risk Exposures:

Valuations are based on certain assumptions, which are dynamic in nature and vary over time. As such company is exposed to various risks as follow-

- Salary Increases- Actual salary increases will increase the Plan's liability. Increase in salary increase rate assumption in future valuations will also increase the liability.
- Investment Risk – If Plan is funded then assets liabilities mismatch & actual investment return on assets lower than the discount rate assumed at the last valuation date can impact the liability.
- Discount Rate : Reduction in discount rate in subsequent valuations can increase the plan's liability.
- Mortality & disability – Actual deaths & disability cases proving lower or higher than assumed in the valuation can impact the liabilities.
- Withdrawals – Actual withdrawals proving higher or lower than assumed withdrawals and change of withdrawal rates at subsequent valuations can impact Plan's liability.

| | As at 31.03.2020 | | As at 31.03.2019 | |
|---|------------------|----------------|------------------|----------------|
| | Gratuity | Provident Fund | Gratuity | Provident Fund |
| Reconciliation of opening and closing balances of the present value of the defined benefit obligation: | | | | |
| Present value of obligation at the beginning of the year | 3.86 | 148.80 | 3.40 | 157.89 |
| Current service cost | 0.27 | 1.55 | 0.38 | 2.44 |
| Interest cost | 0.29 | 10.86 | 0.26 | 10.37 |
| Acquisition adjustment | 0.00 | - | - | - |
| Total amount recognised in profit or loss | 0.56 | 12.41 | 0.64 | 12.81 |

| | As at 31.03.2020 | | As at 31.03.2019 | |
|--|------------------|----------------|------------------|----------------|
| | Gratuity | Provident Fund | Gratuity | Provident Fund |
| Actuarial (gain)/loss from change in demographic assumptions | (0.04) | - | (0.01) | - |
| Actuarial (gain)/loss from change in financial assumptions | 0.22 | 0.00 | 0.05 | 0.00 |
| Experience (gain)/loss | 0.03 | 2.77 | 0.95 | (0.01) |
| Total amount recognised in other comprehensive income | 0.21 | 2.77 | 0.99 | (0.01) |
| Benefits paid | (1.26) | (36.98) | (1.17) | (32.23) |
| Settlements/transfer in | - | 1.31 | - | 3.07 |
| Contribution by plan participants | - | 4.91 | - | 7.27 |
| Present value of obligation at the end of the year | 3.37 | 133.22 | 3.86 | 148.80 |

| | As at 31.03.2020 | | As at 31.03.2019 | |
|--|------------------|---------|------------------|---------|
| | Provident Fund | | Provident Fund | |
| Reconciliation of fair value of plan assets: | | | | |
| Fair value of plan assets at the beginning of the year | | 169.71 | | 174.72 |
| Expected return on plan assets | | 13.37 | | 14.45 |
| Contribution by employer | | 1.55 | | 2.44 |
| Settlements/transfer In | | 1.31 | | 3.06 |
| Contribution by employee | | 4.91 | | 7.27 |
| Benefit paid | | (36.98) | | (32.23) |
| Actuarial gain/(loss) on plan assets | | - | | 0.00 |
| Difference in opening | | (1.31) | | |
| Fair value of plan assets at the end of the year | | 152.56 | | 169.71 |

| | As at 31.03.2020 | | As at 31.03.2019 | |
|--|------------------|----------------|------------------|----------------|
| | Gratuity | Provident Fund | Gratuity | Provident Fund |
| Cost recognised for the year : | | | | |
| Current service cost | 0.27 | - | 0.38 | - |
| Company contribution to provident fund @ | - | 1.55 | - | 2.44 |
| Past service cost | - | - | - | - |
| Interest cost | 0.29 | - | 0.26 | - |
| Actuarial (gain)/loss | 0.21 | - | 0.99 | - |
| Interest guarantee liability | - | - | - | - |
| Shortfall in fund | - | - | - | - |
| Net cost recognised for the year* | 0.77 | 1.55 | 1.63 | 2.44 |

* Included in salaries, wages, bonus and gratuity for gratuity and contribution to provident and other funds for provident fund under employee benefits expense (refer note 31) and other comprehensive income.

@ The Company's contribution to provident fund for the year is ₹ 0.82 crores (2019 - ₹ 0.97 crores) and the remaining relates to other related companies as mentioned above.

The major categories of plan assets are as follows:

| | As at 31.03.2020 | As at 31.03.2019 |
|-------------------------------|------------------|------------------|
| | Unquoted in % | Unquoted in % |
| Central government securities | 42.33 | 40.00 |
| State government securities | 19.12 | 17.31 |
| Public sector bonds | 27.56 | 31.97 |
| Special deposit scheme | 10.57 | 9.55 |
| Equity | 0.21 | 0.19 |
| Bank balance | 0.21 | 0.98 |
| Total | 100.00 | 100.00 |

Reconciliation of the present value of the defined benefit obligation and the fair value of the plan assets:

| | Gratuity | |
|---|------------------|------------------|
| | ₹/Crores | |
| | As at 31.03.2020 | As at 31.03.2019 |
| Present value of the obligation as at the end of the year | 3.37 | 3.86 |
| Fair value of plan assets at the end of the year | - | - |
| Assets/(Liabilities) recognised in the Balance Sheet | (3.37) | (3.86) |
| Experience adjustment in plan liabilities | 0.03 | 0.95 |
| Experience adjustment in plan assets | - | - |

| | Provident Fund | |
|---|------------------|------------------|
| | ₹/Crores | |
| | As at 31.03.2020 | As at 31.03.2019 |
| Present value of the obligation as at the end of the year | (133.22) | (148.80) |
| Fair value of plan assets at the end of the year | 152.56 | 169.71 |
| Assets/(Liabilities) recognised in the Balance Sheet | _* | _* |

The Company expects to pay ₹ 1.67 crores in contributions to its defined benefits plan in next financial year.

** As there is surplus, the same has not been recognised in Balance Sheet.

46 Disclosure of related parties and related party transactions:

a) Company having substantial interest:

HCL Corporation Private Limited

b) List of parties where control exists/existed:

Subsidiaries:

HCL Infotech Limited

HCL Learning Limited

Karvy Innotech Limited (formerly known as HCL Services Limited), till 15.06.18

Digilife Distribution and Marketing Services Limited

QDigi Services Limited (formerly known as HCL Computing Products Limited), till 11.04.18

Pimpri Chinchwad eServices Limited (holding 85% of shareholding)

HCL Insys Pte. Limited, Singapore (till 15.11.2019)

HCL INFOSYSTEMS

HCL Investments Pte. Limited, Singapore

HCL Touch Inc., USA (dissolved with effect from 04.04.2018)

Nurture Technologies FZE, (formerly known as HCL Infosystems MEA FZE), Dubai

Gibraltar Technologies LLC (formerly known as HCL Infosystems LLC), Dubai

(49% Shareholding of HCL Infosystems MEA FZE) (till 27.11.18)

Gibraltar Technologies LLC (formerly known as HCL Infosystems MEA LLC), Abu Dhabi

(49% Shareholding of HCL Infosystems MEA FZE) (till 27.11.18)

Gibraltar Technologies WLL (formerly known as HCL Infosystems Qatar WLL)

(49% Shareholding of HCL Infosystems MEA FZE) (till 27.11.18)

c) Others (Enterprises over which, individual having indirect significant influence over the company, has significant influence) and with whom transactions have taken place during the year and/or where balances exist:

HCL Technologies Limited

HCL Comnet Limited

HCL Talent Care Private Limited

Koura & Co.

VAMA Sundari Investments (Delhi) Private Limited

Shiv Nadar Foundation

Naksha Enterprises Private Limited

d) Key Management Personnel:

Mr. Rangarajan Raghavan (Managing Director, till 31.03.2020)

Mr. Kapil Kapur (CFO)

Mr. Sushil Jain (Company Secretary)

Note: Parties with whom transactions are more than 10% of the total value have been disclosed separately.

Summary of Related Party disclosures

₹/Crores

| A. Transactions | Company having substantial interest** | | Subsidiaries | | Others | | Key Management Personnel | | Total | |
|---|---------------------------------------|--------|---------------|--------|---------------|--------|--------------------------|--------|---------------|--------|
| | Mar-20 | Mar-19 | Mar-20 | Mar-19 | Mar-20 | Mar-19 | Mar-20 | Mar-19 | Mar-20 | Mar-19 |
| Sales and related income | 0.03 | 0.12 | 15.89 | 108.79 | 191.89 | 206.60 | - | - | 207.81 | 315.51 |
| - HCL Corporation Private Limited | 0.03 | 0.12 | - | - | - | - | - | - | - | - |
| - HCL Infotech Limited # | - | - | - | 16.91 | - | - | - | - | - | - |
| - Digilife Distribution and Marketing Services Limited | - | - | 15.89 | 91.28 | - | - | - | - | - | - |
| - HCL Technologies Limited | - | - | - | - | 182.20 | 198.78 | - | - | - | - |
| - Shiv Nadar Foundation | - | - | - | - | 0.62 | 1.63 | - | - | - | - |
| - HCL Comnet Limited | - | - | - | - | 7.91 | 2.56 | - | - | - | - |
| Sale of services | - | - | - | - | - | 0.17 | - | - | - | 0.17 |
| - HCL Technologies Limited | - | - | - | - | - | 0.17 | - | - | - | - |
| Purchase of goods | - | - | - | 0.17 | 0.14 | - | - | - | 0.14 | 0.17 |
| - HCL Software Products Ltd. | - | - | 0.00 | - | 0.14 | - | - | - | - | - |
| - HCL Infotech Limited # | - | - | - | - | - | - | - | - | - | - |
| - Karvy Innotech Limited (formerly known as HCL Services Limited) | - | - | - | 0.02 | - | - | - | - | - | - |
| - Digilife Distribution and Marketing Services Limited | - | - | - | 0.15 | - | - | - | - | - | - |
| Purchase of fixed assets | - | - | 0.01 | - | - | - | - | - | 0.01 | - |
| - Digilife Distribution and Marketing Services Limited | - | - | 0.01 | - | - | - | - | - | - | - |
| Purchase of services | - | - | - | 3.99 | - | 0.20 | - | - | - | 4.18 |
| - Karvy Innotech Limited (formerly known as HCL Services Limited) | - | - | - | 3.99 | - | - | - | - | - | - |
| - Koura & Co. | - | - | - | - | - | 0.20 | - | - | - | - |
| Impairment allowance on loan and advances | - | - | 117.36 | 78.83 | - | - | - | - | 117.36 | 78.83 |

₹/Crores

| A. Transactions | Company having substantial interest**# | | Subsidiaries | | Others | | Key Management Personnel | | Total | |
|---|--|--------|--------------|----------|--------|--------|--------------------------|--------|----------|----------|
| | Mar-20 | Mar-19 | Mar-20 | Mar-19 | Mar-20 | Mar-19 | Mar-20 | Mar-19 | Mar-20 | Mar-19 |
| - HCL Infotech Limited | | | 80.48 | 78.83 | | | | | - | - |
| - HCL Learning Limited | | | 36.88 | - | | | | | - | - |
| Loans and advances refunded/adjusted (net) | - | - | 276.72 | 137.86 | - | - | - | - | 276.72 | 137.86 |
| - Karvy Innotech Limited (formerly known as HCL Services Limited) | - | - | - | 137.86 | - | - | - | - | - | - |
| - HCL Learning Limited | | | 276.72 | | | | | | - | - |
| Current borrowings paid (net) | - | 20.00 | - | - | - | - | - | - | - | 20.00 |
| - HCL Corporation Private Limited | - | 20.00 | - | - | - | - | - | - | - | - |
| Current borrowings taken (net) | 26.00 | - | - | - | - | - | - | - | 26.00 | - |
| - HCL Corporation Private Limited | 26.00 | - | - | - | - | - | - | - | - | - |
| Loans and advances given (net) | - | - | 122.33 | 54.35 | | | | | 122.33 | 54.35 |
| - HCL Infotech Limited | - | - | 122.31 | 29.75 | - | - | - | - | - | - |
| - HCL Learning Limited | - | - | - | 24.59 | - | - | - | - | - | - |
| Interest charged on current borrowings | 1.80 | 2.94 | - | - | - | - | - | - | 1.80 | 2.94 |
| - HCL Corporation Private Limited | 1.80 | 2.94 | - | - | - | - | - | - | - | - |
| Interest charged on loans and advances given | - | - | 10.07 | 22.69 | - | - | - | - | 10.07 | 22.69 |
| - HCL Learning Limited | - | - | 10.07 | 21.41 | - | - | - | - | - | - |
| - Karvy Innotech Limited (formerly known as HCL Services Limited) | - | - | - | 1.24 | - | - | - | - | - | - |
| Rent Received | - | - | - | 0.41 | 3.38 | 2.61 | - | - | 3.38 | 3.02 |
| - HCL Talent Care Private Limited | - | - | - | - | - | - | - | - | - | - |
| - HCL Technologies Limited | - | - | - | - | 2.08 | 1.98 | - | - | - | - |
| - HCL Comnet Limited | - | - | - | - | 0.30 | 0.63 | - | - | - | - |
| - Karvy Innotech Limited (formerly known as HCL Services Limited) | - | - | - | 0.41 | - | - | - | - | - | - |
| - HCL Training & Staffing Services Pvt. Ltd. | - | - | - | - | 1.00 | - | - | - | - | - |
| Remuneration | - | - | - | - | - | - | 3.42 | 3.70 | 3.42 | 3.70 |
| - Mr. Rangarajan Raghavan | - | - | - | - | - | - | 1.48 | 1.51 | - | - |
| - Mr. Kapil Kapur | - | - | - | - | - | - | 1.34 | 1.60 | - | - |
| - Mr. Sushil Jain | - | - | - | - | - | - | 0.60 | 0.59 | - | - |
| Reimbursements towards expenditure | | | | | | | | | | |
| a) Received | - | - | 12.24 | 18.57 | - | - | - | - | 12.24 | 18.57 |
| - HCL Infotech Limited | - | - | 8.56 | 10.24 | - | - | - | - | - | - |
| - Karvy Innotech Limited (formerly known as HCL Services Limited) | - | - | - | 0.74 | - | - | - | - | - | - |
| - HCL Learning Limited | - | - | 0.44 | 0.54 | - | - | - | - | - | - |
| - HCL Insys Pte Limited, Singapore | - | - | 2.46 | 5.06 | - | - | - | - | - | - |
| - DDMS | - | - | 0.71 | 1.88 | - | - | - | - | - | - |
| - HCL Infosystems MEA FZE., Dubai | - | - | 0.06 | 0.12 | - | - | - | - | - | - |
| b) Paid | 0.78 | 1.42 | - | 0.93 | - | - | - | - | 0.78 | 2.35 |
| - Karvy Innotech Limited (formerly known as HCL Services Limited) | - | - | - | 0.93 | - | - | - | - | - | - |
| - HCL Corporation Private Limited | 0.78 | 1.42 | - | - | - | - | - | - | - | - |
| B. Amount due to / from related parties^ | | | | | | | | | | |
| Investment in subsidiaries (gross) | - | - | 891.01 | 891.01 | - | - | - | - | 891.01 | 891.01 |
| Impairment allowance on investment in subsidiaries | - | - | (890.97) | (890.97) | - | - | - | - | (890.97) | (890.97) |
| Trade receivables | - | - | 4.68 | 30.06 | 38.96 | 42.64 | - | - | 43.64 | 72.70 |
| Current borrowings | 26.00 | - | - | - | - | - | - | - | 26.00 | - |
| Loans and advances (gross) | - | - | 566.60 | 758.15 | - | - | - | - | 566.60 | 758.15 |

₹/Crores

| A. Transactions | Company having substantial interest** | | Subsidiaries | | Others | | Key Management Personnel | | Total | |
|---|---------------------------------------|--------|--------------|----------|--------|--------|--------------------------|--------|----------|----------|
| | Mar-20 | Mar-19 | Mar-20 | Mar-19 | Mar-20 | Mar-19 | Mar-20 | Mar-19 | Mar-20 | Mar-19 |
| Impairment allowance on loan and advances | - | - | (363.04) | (242.56) | - | - | - | - | (363.04) | (242.56) |
| Other recoverable | 0.07 | 0.07 | 2.33 | 3.97 | - | - | - | - | 2.40 | 4.04 |
| Trade payables | 0.22 | 1.42 | 137.35 | 57.55 | 0.49 | 0.54 | - | - | 138.06 | 59.51 |
| Other payables | - | - | 14.11 | 14.11 | - | - | - | - | 14.11 | 14.11 |

Notes:

Sales and Related Income, Sale of Services, Purchase of Goods and Purchase of Services are net of transactions between HCL Infosystems and HCL Infotech on account of pending Novation of Contracts of System Integration Business.

* Prepared till 31st May, 2018 as the Company has signed Share Purchase Agreement and Debenture Subscription Agreement on 31st May, 2018.

** Prepared till 15th Nov, 2019 as the Company has transferred its shares to other party on 15th Nov, 2019.

Corporate guarantee utilised ₹ 224 crores (2019 - ₹ 283.47 crores), also refer note 54.

^ Amount due to / from related parties are unsecured and are repayable/to be received in cash.

₹/Crores

| Compensation of key management personnel of the Company* | Year ended 31.03.2020 | Year ended 31.03.2019 |
|--|-----------------------|-----------------------|
| Short-term employee benefits | 3.42 | 3.70 |
| Total compensation paid to key management personnel | 3.42 | 3.70 |

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

* Post employment benefit comprising gratuity, and compensated absences are not disclosed as these are determined for the Company as a whole.

47 Disclosures pursuant to the Regulation 34(3) read with para A of Schedule V to SEBI Listing Regulations, 2015

Disclosure of amounts at the year end and the maximum amount of loans/advances/investments outstanding during the year ended;

₹/Crores

| A. | Loans and advances in the nature of loans to subsidiaries and associates | As at 31.03.2020 | | | | As at 31.03.2019 | | | |
|----|--|------------------------------------|--|----------------------|----------------------|------------------------------------|--|----------------------|----------------------|
| | | Pimpri Chinchwad eServices Limited | Digilife Distribution and Marketing Services Limited | HCL Infotech Limited | HCL Learning Limited | Pimpri Chinchwad eServices Limited | Digilife Distribution and Marketing Services Limited | HCL Infotech Limited | HCL Learning Limited |
| b. | Balance outstanding at the year end | 0.05 | - | 721.37 | 47.70 | 0.03 | 0.00 | 599.07 | 324.42 |
| c. | Maximum amount outstanding | 0.05 | - | 721.37 | 342.33 | 0.03 | 11.20 | 599.07 | 324.42 |

₹/Crores

| B. | Loans and advances in the nature of loans where no interest or interest below Section 186 of Companies Act, 2013 is charged | As at 31.03.2020 | | | As at 31.03.2019 | | |
|----|---|--|----------------------|----------------------|--|----------------------|----------------------|
| | | Digilife Distribution and Marketing Services Limited | HCL Infotech Limited | HCL Learning Limited | Digilife Distribution and Marketing Services Limited | HCL Infotech Limited | HCL Learning Limited |
| b. | Balance outstanding at the year end | Nil | Nil | Nil | Nil | Nil | Nil |
| c. | Maximum amount outstanding during the year ended | Nil | Nil | Nil | Nil | Nil | Nil |

Loans given to employees under various schemes of the Company have been considered to be out of purview of disclosure requirement.

| | As at 31.03.2020 | As at 31.03.2019 |
|--|-----------------------------|-----------------------------|
| C. Loans and advances in the nature of loans to firms/companies in which directors are interested | Nil | Nil |
| D. Investment by the loanees in the shares of the Company | As at 31.03.2020 | As at 31.03.2019 |
| a. Name of the Loanee | Nil | Nil |
| b. Balance outstanding at the year end | Nil | Nil |
| c. Maximum amount outstanding during the year ended | Nil | Nil |
| d. Investments made by the Loanee | Nil | Nil |
| e. Maximum amount of investment during the year ended | Nil | Nil |

48 Taxation:

- (a) Provision for taxation has been computed by applying the Income Tax Act, 1961 and other relevant tax regulations in the jurisdiction where the Company conducts the business to the profit for the year. 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 tax assets and deferred tax liabilities relates to the same taxable entity and the same taxation authority.

- (b) Deferred Tax*:

Major components of deferred tax arising on account of timing difference along with their movement as at 31.03.2020 are:

| | As at 31.03.2019 | Movement during the year | As at 31.03.2020 |
|---|---------------------|--------------------------------|---------------------|
| ₹/Crores | | | |
| Assets | | | |
| Unrealised gain on indexation of land | 5.72 | (5.72) | - |
| Provision for doubtful debts/advances/other current assets | 8.65 | - | 8.65 |
| Tax losses | 45.19 | (45.19) | - |
| Impact of expenditure charged to statement of profit and loss but allowable for tax purpose in future years | 1.73 | (0.94) | 0.79 |
| MAT credit | 11.70 | (11.70) | - |
| Total (A) | 72.99 | (63.55) | 9.44 |
| Liabilities | | | |
| Difference between WDV of fixed assets as per books and under Income tax Act, 1961 | (8.27) | - | (8.27) |
| Duties, taxes and cess allowed for tax purpose on payment basis | (1.17) | - | (1.17) |
| Total (B) | (9.44) | - | (9.44) |
| Net deferred tax assets (A)-(B) | 63.55 | (63.55) | - |

* The Company has recognized deferred tax assets to the extent deferred tax liabilities available. Further, during the year deferred tax assets amounting ₹ 63.55 crores has been written off due to lack of reasonable certainty of taxable future profits against which deferred tax assets can be utilized.

(c) Income tax expense:

This note provides an analysis of the company's income tax expense, and how the tax expense is affected by non-assessable and non-deductible items.

| | ₹/Crores | |
|--|--------------------------|--------------------------|
| | Year ended 31.03.2020 | Year ended 31.03.2019 |
| Income tax expense - current tax | | |
| Current tax on profits for the year | - | - |
| Adjustments for current tax of prior periods | - | - |
| Total current tax expense | - | - |
| Deferred tax | | |
| Decrease in MAT credit | 11.70 | - |
| Decrease / (increase) in deferred tax assets | 51.85 | - |
| Total deferred tax expense/(benefit) | 63.55 | - |
| Income tax expense | 63.55 | - |

| | ₹/Crores | |
|--|--------------------------|--------------------------|
| Reconciliation of tax expense and the accounting profit multiplied by India's tax rate: | Year ended 31.03.2020 | Year ended 31.03.2019 |
| Loss before income tax expense | (254.89) | (206.33) |
| Tax at the Indian tax rate of 31.20% (2019 – 31.20%) | (79.53) | (64.38) |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | |
| Disallowances for which deferred tax not created | | |
| Impairment of investment and inter corporate deposits | 36.62 | 16.02 |
| Other items | - | 0.73 |
| Decrease / (increase) in MAT credit | 11.70 | - |
| Decrease / (increase) in deferred tax assets | 51.85 | - |
| Tax losses for which no deferred tax was recognised | 42.91 | 47.63 |
| Income tax expense | 63.55 | - |

| | ₹/Crores | |
|---|---------------------|---------------------|
| Tax Losses | As at 31.03.2020 | As at 31.03.2019 |
| Unused tax losses and depreciation for which no deferred tax assets has been recognised | 336.03 | 208.41 |
| Potential tax benefit @ 31.20 (2019 - 31.20%) | 104.84 | 65.02 |

The unused tax losses and depreciation that are not likely to be utilised due to lack of reasonable certainty of future taxable income. The losses can be carried forward as per details below:

| | ₹/Crores | |
|--------------------|---------------------|---------------------|
| Expiry Date | As at 31.03.2020 | As at 31.03.2019 |
| 31.03.2021 | 5.30 | 5.30 |
| 31.03.2025 | 50.08 | 50.08 |
| 31.03.2026 | 78.04 | 78.04 |
| 31.03.2027 | 56.97 | 56.97 |
| 31.03.2028 | 122.87 | - |
| No limit | 22.77 | 18.02 |
| Total | 336.03 | 208.41 |

49 Pursuant to the approval by the Board of Directors of Company in its meeting held on February 09, 2018, the Company divested its investments (both Equity and Optionally Convertible Debentures(OCD)) in Karvy Innotech Limited (formerly known as HCL Services Limited) to Karvy Data Management Services Limited for a consideration of ₹ 112.10 crores (Equity ₹ 17.45 crores and OCD ₹ 94.65 crores, the consideration for OCD is equivalent to the income tax refund and is receivable as and when the tax refund is received by HCL Services Limited). The Company signed a share purchase agreement on 31.05.2018 and the shareholding was divested on 15.06.2018. Amount receivables in respect of the transaction is ₹ 22.23 crores (2019 - ₹ 70.81 crores).

This transaction excludes;

- i) Care Business (divested to Qess Corp Limited)
- ii) IT & Facility unit (transferred to HCL Infosystems Limited)
- iii) Investment in HCL Insys PTE Limited, Singapore including its subsidiaries (transferred to HCL Learning Limited)

50 Pursuant to the approval by the Board of Directors of Company in its meeting held on January 31, 2018, the CARE business division was transferred to QDigi Services Limited on March 31, 2018 and subsequently the entire shareholding of QDigi Services Limited was divested to M/s Qess Corp Limited on April 11, 2018. Amount receivables in respect of the transaction is ₹ 1.47 crores (2019 - ₹ 3.10 crores).

51 Property, plant and equipment held for sale

In order to reduce Company's debt obligations, the Company has decided to monetize Company owned properties in a phased manner. Several of Company's properties are not being fully utilized due to changes in the business of the Company. Pursuant to the Board approval dated 13.05.2019 & 20.05.2019 the Company had sold out two properties located in Noida and one property located in Pune for a consideration of ₹ 29.91 crores. (disclosed as assets held for sale ₹ 14.26 crores in 31.03.2019).

52 Pursuant to the approval by the Board of Directors of the Company in its meeting held on 15.10.2018, the entire shareholding held by Nurture Technologies FZE (formerly known as HCL Infosystems MEA FZE) (Step-down Subsidiary) in its direct subsidiaries Gibraltar Technologies LLC (formerly known as HCL Infosystems LLC) Dubai, Gibraltar Technologies LLC (formerly known as HCL Infosystems MEA LLC) Abu Dhabi and step-down subsidiary Gibraltar Technologies WLL (formerly known as HCL Infosystems Qatar WLL) Qatar was transferred to consortium of individuals viz Mr. Ahmed Khalaf Ahmed Khalaf Al Otaiba, Mr. Syed Mohammed Bukhari, Mr. Khadeer Peer Shariff S S and Mr. Abdul Qadir Bukhari on 27.11.2018 for a consideration of AED 3.4 million (approximately equivalent ₹ 6.50 crores).

53 The Board of Directors of the Company in its meeting held on August 06, 2019 approved to sell the entire shareholding held by HCL Learning Limited (a Subsidiary of HCL Infosystems Limited) in HCL Insys Pte Ltd Singapore (step subsidiary), after the transfer of the trading business and the subsidiary Nurture Technologies FZE to HCL Investments Pte Ltd (subsidiary of HCL Infotech Limited). The sale has been made to PCCW Solutions Ltd for a total consideration of ₹ 303.35 crores. The transaction was completed on November 15, 2019.

54 As at March 31, 2020, the Company has accumulated losses and its net worth has been fully eroded, the Company has a net loss during the current and previous year and the Company's current liabilities exceeded its current assets by ₹ 344.88 crores (March 31, 2019 ₹ 54.73 crores) as at the balance sheet date. The losses are primarily as a result of delayed receipts on certain system integration contracts, certain historical low margin contracts, slow-down of distribution businesses and finance costs. The Company's management is pursuing strategies which include scale down of loss-making businesses like scaling down of the distribution business (refer note 55), sale of certain non-core properties and reduction in outstanding debts. To ensure the necessary financial support for its operations the Board of Directors of HCL Corporation Private Limited has issued a support letter (in the form of corporate guarantee or unsecured loan) to the Company to the extent of ₹ 500 crores. Considering the above support, the Company's management and the Board of Directors has a reasonable expectation that the Company will be able to realise its assets and discharge its contractual obligations and liabilities as they fall due in the near future in the normal course of business. Accordingly, the standalone financial statements have been prepared on a going concern basis.

55 In view of the current financial stress faced by the Enterprise and Consumer Distribution businesses resulting in decline in sales and increase in losses, the Board had appointed a reputed independent consulting firm to review these businesses. Based on the report of the consulting firm and the inputs of the management team, the Board in their meeting dated January 27, 2020 decided that because of low margin contracts, tough market conditions and the current financial position of the Company, the Distribution businesses of the Company were not financially sustainable. Consequently, the Board recommended that in order to limit future financial losses, the Enterprise and Consumer Distribution Business be gradually scaled down over the next few quarters.

56 The operations and financial results of the company were marginally impacted due to shut down of company's operations across various locations w.e.f. March 23, 2020 as per the directives of both the Central and State Governments in the wake of COVID-19 pandemic. In evaluating the impact of COVID-19 on its ability to continue as a going concern and the possible



HCL INFOSYSTEMS

impact on its financial position, the management has assessed the impact of macro-economic conditions on its business and the carrying value of its major assets comprising of Property, Plant and Equipment (PPE), trade receivables and other balances recoverable. In this regard, the management has carefully considered the circumstances and risk exposures arising from the COVID-19 situation for developing the estimates on the basis of available information in its assessment of impact thereof on its financial reporting. Based on aforesaid assessment, management believes that the Company will continue as a going concern and will be able to meet all of its obligations as well as recover the carrying amount of its aforesaid assets as on March 31, 2020. Management believes that it has taken into account all the possible impact of known events arising from COVID-19 pandemic in the preparation of these financial statements. The impact assessment of COVID-19 is a continuing process given the uncertainties associated with its nature and duration and actual results may differ materially from these estimates. The Company will continue to monitor any material changes to future economic conditions and any significant impact of these changes would be recognized in the financial statements as and when these material changes to economic conditions arise.

57 Previous year's figures have been regrouped / recasted, wherever necessary, to conform to the current year's presentation.

As per our report of even date attached

For B S R & Associates LLP

Chartered Accountants

ICAI Registration Number-116231W/W-100024

Sandeep Batra

Partner

Membership Number - 093320

New Delhi, June 15, 2020

For and on behalf of the Board of Directors of

HCL Infosystems Limited

Pawan Kumar Danwar

Director

DIN - 06847503

Kapil Kapur

Chief Financial Officer

Noida, June 15, 2020

Kaushik Dutta

Director

DIN - 03328890

Sushil Kumar Jain

Company Secretary

Independent Auditors' Report

To the Members of HCL Infosystems Limited

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of HCL Infosystems Limited (hereinafter referred to as the 'Holding Company') and its subsidiaries as listed in Annexure-I (Holding Company and its subsidiaries together referred to as "the Group"), which comprise the consolidated balance sheet as at 31 March 2020, and the consolidated statement of profit and loss (including other comprehensive income), consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated 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 consolidated state of affairs of the Group as at 31 March 2020, of its consolidated loss and other comprehensive income, consolidated changes in equity and consolidated cash flows for the year then ended.

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 Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in terms of the Code of Ethics issued by the Institute of Chartered Accountants of India and the relevant provisions of the Act, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence obtained by us along with the consideration of audit reports of the other auditors referred to in sub paragraph (a) of the "Other Matters" paragraph below, is sufficient and appropriate to provide a basis for our opinion on the consolidated financial statements.

Material Uncertainty Related to Going Concern

We draw attention to note 49 of the consolidated financial statements, which indicates that the Group has accumulated losses and its net worth has been fully eroded, and that the Group has a net loss during the current and previous year and the Group's current liabilities exceeded its current assets as at the balance sheet date. These conditions, along with other matters set forth in note 50, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. However, based upon strategic and operational measures as set forth in note 49 including necessary financial support from a significant promoter shareholder, the management and the Board of Directors of the Parent Company have a reasonable expectation that the Group will be able to realise its assets and discharge its contractual obligations and liabilities as they fall due in near future in the normal course of business. Accordingly, management has prepared the consolidated financial statements on a going concern basis.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be key audit matter to be communicated in our report.

Description of Key Audit Matters:

| Revenue recognition on fixed price contracts See note 2.5(h) to the consolidated financial statements | |
|--|--|
| The key audit matter | How the matter was addressed in our audit |
| The Group's revenue arrangements include contracts which require management to make significant estimates relating to the efforts and costs associated with completing the contract. | In view of the significance of the matter we applied the following audit procedures in this area, amongst others to obtain sufficient appropriate audit evidence on estimation of contracts costs and onerous obligations, if any: |

Revenue recognition on fixed price contracts
See note 2.5(h) to the consolidated financial statements

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| <p>Given the nature of such contracts, changes in these judgement/estimates could have a significant impact on estimation of revenue and liability for onerous obligations, if any.</p> <p>This estimate has an inherent uncertainty and presumed fraud risk as it requires ascertaining progress of contracts, efforts and costs incurred till date and for remaining performance obligations.</p> | <ul style="list-style-type: none"> - Evaluating design, implementation and operating effectiveness of internal controls relating to estimation of efforts required to complete remaining performance obligations and related revenue recognition of fixed price contracts. - Involving our specialists to assess the design, implementation and operating effectiveness of key IT controls over the IT environment in which the business systems operate - Testing that the efforts estimated for the remaining performance obligations is appropriately reviewed and approved by designated senior management. - Performing detailed analysis of contract efforts for past periods, efforts expected in the future and the underlying budgets to understand the estimation process and variances, if any and discussed with the designated management personnel, to ascertain reasonableness of contract costs. - Testing the project costs incurred on a statistical sample basis by verifying the underlying documents to ascertain that these costs have been recorded in the appropriate projects and period. - Testing the details of activities / milestones completed with the underlying approvals from customers and designated management. |

Recoverability of trade receivables and contract assets
See note 2.5(e) to the consolidated financial statements

| The key audit matter | How the matter was addressed in our audit |
|---|--|
| <p>Significant judgement is involved in determining the recoverable amount of trade receivables and contract assets as estimating the recoverable amount involves inherent uncertainty.</p> | <p>We have applied the following audit procedures in this area, amongst others to address this key audit matter:</p> <ul style="list-style-type: none"> - Evaluating the design, implementation and operating effectiveness of internal controls of the Group pertaining to credit control, debt collection and provision for doubtful debts. - Testing the estimates used for provision of doubtful debts, based on the industry in which such customers operate and customer's financial condition. Also evaluating the collection trends of receivables based on our knowledge of the Company and the sectors of underlying customers, ageing of overdue balances, and subsequent cash collections. - Testing on a random sample basis, the items as per the receivables ageing report with the underlying documents such as sales invoices. - Testing the management's assessment of recoverability of the receivables from customers by evaluating documents and communications relating to projects with the respective customers. |

Other Information

The Holding Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the holding Company's annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed and based on the work done, 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 Consolidated Financial Statements

The Holding Company's Management and Board of Directors are responsible for the preparation and presentation of these consolidated financial statements in term of the requirements of the Act that give a true and fair view of the consolidated state of affairs, consolidated profit/ loss and other comprehensive income, consolidated statement of changes in equity and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act. The respective Management and Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of each company. and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Management and Directors of the Holding Company, as aforesaid.

In preparing the consolidated financial statements, the respective Management and Board of Directors of the companies included in the Group are responsible for assessing the ability of each company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the respective Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group is responsible for overseeing the financial reporting process of each company.

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 the internal financial controls with reference to the consolidated financial statements and the operating effectiveness of such controls based on our audit.
- 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 Management and Board of Directors use of the going concern basis of accounting in preparation of consolidated 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 appropriateness of this assumption. 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 consolidated 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of such entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of financial information of such entities.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

The financial statements of three subsidiaries, whose financial statements reflect total assets (before consolidation adjustments) of ₹ 55.24 crore as at 31 March 2020, total revenues (before consolidation adjustments) of ₹ 0.69 crore and net cash flows (before consolidation adjustments) amounting to ₹ 0.33 crore for the year ended on that date, as considered in the consolidated financial statements, have not been audited either by us or by other auditors. These unaudited financial statements have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and our report in terms of sub-sections (3) of Section 143 of the Act in so far as it relates to the aforesaid subsidiaries, is based solely on such unaudited financial statements. In our opinion and according to the information and explanations given to us by the Management, these financial statements are not material to the Group.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the financial statements certified by the Management.

Report on Other Legal and Regulatory Requirements

- A. As required by Section 143(3) of the Act, based on our audit, we report, to the extent applicable, 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 of the aforesaid consolidated financial statements.
 - b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.
 - c) The consolidated balance sheet, the consolidated statement of profit and loss (including other comprehensive income), the consolidated statement of changes in equity and the consolidated statement of cash flows dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
 - d) In our opinion, the aforesaid consolidated 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 of the Holding Company as on 31 March 2020 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary companies, none of the directors of the Group companies, is disqualified as on 31 March 2020 from being appointed as a director in terms of Section 164(2) of the Act.
 - f) The going concern matter described under the Material Uncertainty Related to Going Concern paragraph above, in our opinion, may have an adverse effect on the functioning of the Company; and

- g) With respect to the adequacy of the internal financial controls with reference to financial statements of the Holding Company, its subsidiary companies incorporated in India and the operating effectiveness of such controls, refer to our separate Report in "Annexure A"
- 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 Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. The consolidated financial statements disclose the impact of pending litigations as at 31 March 2020 on the consolidated financial position of the Group. Refer Note 31 to the consolidated financial statements.
 - ii. Provision has been made in the consolidated financial statements, as required under the applicable law or Ind AS, for material foreseeable losses, on long-term contracts. Refer Note 21 to the consolidated financial statements in respect of such items as it relates to the Group. The Group did not have any long-term derivative contracts as at 31 March 2020.
 - iii. There has been a delay in transferring an amount of ₹ 0.47 crore pertaining to unclaimed matured deposits to the Investor Education and Protection Fund by the Holding Company, which has been deposited by the Holding Company subsequent to the year end.
 - iv. The disclosures in the consolidated financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in the financial statements since they do not pertain to the financial year ended 31 March 2020.
- C. With respect to the matter to be included in the Auditor's report under section 197(16):

In our opinion and according to the information and explanations given to us, the remuneration paid during the current year by the Holding Company and its subsidiary companies, to its directors is in accordance with the provisions of Section 197 of the Act. The remuneration paid to director by the Holding Company is in excess of the limit laid down under Section 197 of the Act. However, the Holding Company has taken shareholder's approval by way of special resolution for such payment. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

For B S R & Associates LLP
Chartered Accountants
Firm's Registration No.: 116231W/W-100024

Sandeep Batra
Partner
Membership No: 093320
UDIN: 20093320AAAAAR2937

Place: New Delhi
Date: 15 June 2020

Annexure-I

List of Subsidiaries consolidated

- i. HCL Infotech Limited
- ii. Digilife Distribution and Marketing Services Limited
- iii. HCL Learning Limited
- iv. HCL Insys Pte. Limited (ceased to be a subsidiary with effect from 15 November 2019)
- v. HCL Investment Pte. Limited
- vi. Pimpri Chinchwad eServices Limited
- vii. Nurture Technologies FZE

Annexure A to Independent Auditors' Report

Annexure A to the Independent Auditors' report on the consolidated financial statements of HCL Infosystems Limited for the period ended 31 March 2020.

Report on the internal financial controls with reference to the aforesaid consolidated financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

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

Opinion

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended 31 March 2020, we have audited the internal financial controls with reference to consolidated financial statements of HCL Infosystems Limited (hereinafter referred to as "the Holding Company") and such companies incorporated in India under the Companies Act, 2013 which are its subsidiary companies, as of that date.

In our opinion, the Holding Company and such companies incorporated in India which are its subsidiary companies, have, in all material respects, adequate internal financial controls with reference to consolidated financial statements and such internal financial controls were operating effectively as at 31 March 2020, based on the internal financial controls with reference to consolidated financial statements criteria established by such companies considering the essential components of such internal controls 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 Responsibility for Internal Financial Controls

The respective Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls with reference to consolidated financial statements based on the criteria established by the respective 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 the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (hereinafter referred to as "the Act").

Auditors' Responsibility

Our responsibility is to express an opinion on the internal financial controls with reference to consolidated 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 consolidated 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 consolidated 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 consolidated financial statements and their operating effectiveness. Our audit of internal financial controls with reference to consolidated financial statements included obtaining an understanding of internal financial controls with reference to consolidated financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of the internal controls 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 consolidated financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors of the relevant subsidiary companies in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls with reference to consolidated financial statements.

Meaning of Internal Financial controls with Reference to Consolidated Financial Statements

A company's internal financial controls with reference to consolidated financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to consolidated financial statements includes 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 consolidated Financial Statements

Because of the inherent limitations of internal financial controls with reference to consolidated 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 consolidated financial statements to future periods are subject to the risk that the internal financial controls with reference to consolidated financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Place: New Delhi
Date: 15 June 2020

For B S R & Associates LLP
Chartered Accountants
Firm's Registration No.: 116231W/W-100024

Sandeep Batra
Partner
Membership No.: 093320
ICAI UDIN: 20093320AAAAAR2937

Consolidated Balance Sheet

as at March 31, 2020

| | | Notes | As at 31.03.2020 | | As at 31.03.2019 | |
|---|---|--------|------------------|-----------------|------------------|-----------------|
| | | | ₹/Crores | | ₹/Crores | |
| I. ASSETS | | | | | | |
| (1) Non-current assets | | | | | | |
| | | 3(a) | 53.62 | | 80.30 | |
| | Property, plant and equipment | | | | | |
| | | 3(b) | 1.36 | | - | |
| | Right of use assets | | | | | |
| | | 3(c) | 0.36 | | 6.68 | |
| | Other intangible assets | | | | | |
| | | 3(d) | - | | 54.97 | |
| | Goodwill | | | | | |
| | | 3(e) | - | | 0.04 | |
| | Capital work-in-progress | | | | | |
| | Financial Assets | | | | | |
| | -Other financial assets | 4 | 37.39 | | 74.71 | |
| | Deferred tax assets (net) | 5 | - | | 65.02 | |
| | Advance income tax asset (net) | 6 | 116.25 | | 112.15 | |
| | Other non-current assets | 7 | 207.40 | 416.38 | 193.72 | 587.59 |
| (2) Current assets | | | | | | |
| | Inventories | 8 | 27.91 | | 95.51 | |
| | Financial assets | | | | | |
| | (i) Trade receivables | 9 | 193.94 | | 569.44 | |
| | (ii) Cash and cash equivalents | 10 | 55.26 | | 90.42 | |
| | (iii) Bank balances other than (ii) above | 11 | 23.10 | | 149.20 | |
| | (iv) Other financial assets | 12 | 60.73 | | 108.38 | |
| | Other current assets | 13 | 266.98 | 627.92 | 382.45 | 1,395.40 |
| (3) Assets held for sale | | | | | | |
| | | 44 | | 2.65 | | 14.36 |
| Total Assets | | | | 1,046.95 | | 1,997.35 |
| II. EQUITY AND LIABILITIES | | | | | | |
| (1) Equity | | | | | | |
| Equity attributable to the owners of HCL Infosystems Limited | | | | | | |
| | Equity share capital | 14 (a) | 65.84 | | 65.84 | |
| | Other equity | 14 (b) | (107.98) | (42.14) | 38.31 | 104.15 |
| | Non controlling interests | | | (0.00) | | (0.00) |
| (2) Liabilities | | | | | | |
| Non-current liabilities | | | | | | |
| Financial liabilities | | | | | | |
| | (i) Borrowings | 15(i) | 22.75 | | 99.08 | |
| | (ii) Lease obligation | 15(ii) | 1.61 | | - | |
| | Provisions | 16 | 4.46 | | 7.88 | |
| | Deferred tax liabilities (net) | 37 | - | 28.82 | 5.44 | 112.40 |
| Current liabilities | | | | | | |
| Financial liabilities | | | | | | |
| | (i) Borrowings | 17 | 436.38 | | 498.40 | |
| | (ii) Trade payables | 18 | 347.29 | | 679.48 | |
| | (iii) Other financial liabilities | 19 | 73.91 | | 335.04 | |
| | Other current liabilities | 20 | 158.34 | | 217.39 | |
| | Provisions | 21 | 44.35 | | 47.40 | |
| | Current tax liabilities (net) | 22 | - | 1,060.27 | 3.09 | 1,780.80 |
| Total Equity and Liabilities | | | | 1,046.95 | | 1,997.35 |
| Significant Accounting Policies | | | | | | |
| | | 2 | | | | |

The notes referred to above form an integral part of the financial statements.
As per our report of even date attached

For B S R & Associates LLP

Chartered Accountants

ICAI Registration Number-116231W/W-100024

Sandeep Batra

Partner

Membership Number - 093320

 For and on behalf of the Board of Directors of
HCL Infosystems Limited
Pawan Kumar Danwar

Director

DIN - 06847503

Kapil Kapur

Chief Financial Officer

Kaushik Dutta

Director

DIN - 03328890

Sushil Kumar Jain

Company Secretary

New Delhi, June 15, 2020
Noida, June 15, 2020

Consolidated Statement of Profit and Loss for the year ended March 31, 2020

| | Notes | Year ended 31.03.2020 ₹/Crores | | Year ended 31.03.2019 ₹/Crores | |
|---|-------|-----------------------------------|-----------------|-----------------------------------|----------|
| Continuing Operations | | | | | |
| Income : | | | | | |
| Revenue from operations | 23 | | 1,815.17 | | 3,874.62 |
| Other income | 24 | | 76.78 | | 101.22 |
| Total Income | | | 1,891.95 | | 3,975.84 |
| Expenses : | | | | | |
| Cost of materials consumed | | | - | | 0.04 |
| Purchases of stock-in-trade | | | 1,559.06 | | 3,390.19 |
| Changes in inventories of stock-in-trade | 25 | | 67.60 | | 203.54 |
| Other direct expense | 26 | | 82.08 | | 123.70 |
| Employee benefits expense | 27 | | 110.48 | | 126.95 |
| Finance costs | 28 | | 90.43 | | 123.04 |
| Depreciation and amortization expense | 3 | | 8.80 | | 12.08 |
| Other expenses | 29 | | 213.84 | | 166.91 |
| Total expenses | | | 2,132.29 | | 4,146.45 |
| Loss before exceptional items and tax from continuing operations | | | | | |
| Exceptional items | 30 | | 12.75 | | - |
| Loss from continuing operations before tax | | | | | |
| Income tax expense: | | | | | |
| - Current tax | 37 | 0.08 | | 0.07 | |
| - Deferred tax | 37 | 62.09 | 62.17 | 2.92 | 2.99 |
| Loss for the year from continuing operations | | | | | |
| Discontinued operations | | | | | |
| Profit/(loss) from discontinued operations | 45 | | 4.05 | | 34.21 |
| Profit/(loss) on disposal of discontinued operations | | | 150.76 | | 9.59 |
| Tax expense of discontinued operations | | | 1.38 | | 5.40 |
| Net profit from discontinued operations | | | | | |
| Loss for the year | | | | | |
| Other Comprehensive Income | | | | | |
| (i) Items that will not be subsequently reclassified to profit or loss | | | | | |
| - Gain/(loss) on remeasurement of defined benefit plan | 40 | (0.49) | | (1.42) | |
| - Income tax relating to above item | | - | (0.49) | - | (1.42) |
| (ii) Items that will be subsequently reclassified to profit or loss | | | | | |
| - Exchange differences on translation of foreign operation | | | 4.61 | | 5.43 |
| Other comprehensive income for the year, net of tax | | | 4.12 | | 4.01 |
| Total comprehensive loss for the year | | | | | |
| (132.21) | | | | | |
| (131.19) | | | | | |

Consolidated Statement of Profit and Loss for the year ended March 31, 2020

| | Notes | Year ended 31.03.2020 ₹/Crores | | Year ended 31.03.2019 ₹/Crores | |
|---|-------|-----------------------------------|-----------------|-----------------------------------|----------|
| Loss is attributable to: | | | | | |
| - Shareholders of HCL Infosystems Limited | | | (136.33) | | (135.20) |
| - Non-controlling interests | | | (0.00) | | (0.00) |
| Other comprehensive income is attributable to: | | | | | |
| - Shareholders of HCL Infosystems Limited | | | 4.12 | | 4.01 |
| - Non-controlling interests | | | - | | - |
| Total comprehensive loss is attributable to: | | | | | |
| - Shareholders of HCL Infosystems Limited | | | (132.21) | | (131.19) |
| - Non-controlling interests | | | (0.00) | | (0.00) |
| Earnings per equity share continuing operations (₹ Per share) | 39 | | | | |
| (1) Basic | | | (8.80) | | (5.27) |
| (2) Diluted | | | (8.80) | | (5.27) |
| Earnings per equity share discontinued operations (₹ Per share) | 39 | | | | |
| (1) Basic | | | 4.66 | | 1.17 |
| (2) Diluted | | | 4.66 | | 1.17 |
| Earnings per equity share continuing and discontinued operations (₹ Per share) | 39 | | | | |
| (1) Basic | | | (4.14) | | (4.11) |
| (2) Diluted | | | (4.14) | | (4.11) |
| Significant accounting policies | 2 | | | | |

The notes referred to above form an integral part of the financial statements.
As per our report of even date attached

For B S R & Associates LLP
Chartered Accountants
ICAI Registration Number-116231W/W-100024

Sandeep Batra
Partner
Membership Number - 093320

New Delhi, June 15, 2020

For and on behalf of the Board of Directors of
HCL Infosystems Limited

Pawan Kumar Danwar
Director
DIN - 06847503

Kapil Kapur
Chief Financial Officer

Noida, June 15, 2020

Kaushik Dutta
Director
DIN - 03328890

Sushil Kumar Jain
Company Secretary

Consolidated Cash Flow Statement

for the year ended March 31, 2020

| | Notes | Year ended 31.03.2020 | | Year ended 31.03.2019 | |
|--|-------|-----------------------|---------|-----------------------|----------|
| | | ₹/Crores | | ₹/Crores | |
| 1. Cash Flow from Operating Activities: | | | | | |
| Loss before tax from continuing and discontinued operations | | | (72.78) | | (126.81) |
| Adjustments for: | | | | | |
| Depreciation and amortisation expense | | 18.13 | | 21.94 | |
| Finance cost | | 90.62 | | 124.31 | |
| Interest income | | (34.74) | | (58.14) | |
| Dividend income | | - | | (1.74) | |
| Net profit on sale of property, plant and equipment | | (0.10) | | (0.04) | |
| Profit on disposal of discontinued operations | | (150.76) | | - | |
| Profit on sale of properties | | (15.65) | | - | |
| Impairment of property, plant and equipments | | 2.90 | | - | |
| Property, plant and equipment written-off | | 0.12 | | - | |
| Profit on disposal of unquoted investments | | - | | (3.35) | |
| Gain on foreign exchange fluctuation | | (1.48) | | (1.73) | |
| Provision for doubtful debts | | 109.72 | | 60.27 | |
| Provision for doubtful loans and advances and other current assets | | 0.19 | | 0.63 | |
| Provisions/liabilities no longer required written back | | (26.69) | (7.74) | (10.51) | 131.64 |
| Operating profit before changes in operating assets and liabilities | | | (80.52) | | 4.83 |
| Changes in operating assets and liabilities: | | | | | |
| - Decrease in trade receivables | | 189.05 | | 736.69 | |
| - Increase in non current assets | | (12.78) | | (33.22) | |
| - Decrease/ (increase) in current assets | | 187.72 | | (100.19) | |
| - Decrease in inventories | | 67.60 | | 218.11 | |
| - Increase/ (decrease) in non current liabilities | | 1.47 | | (5.57) | |
| - Decrease in current liabilities | | (281.09) | 151.97 | (390.21) | 425.61 |
| Cash generated from operations | | | 71.45 | | 430.44 |
| - Taxes (paid)/received (net of tax deducted at source) | | | (9.33) | | 10.19 |
| Net cash generated from operating activities | (A) | | 62.12 | | 440.63 |
| 2. Cash flow from investing activities: | | | | | |
| Proceeds from the sale of investment in subsidiaries* | | 196.38 | | - | |
| Payment for property, plant and equipment (including intangible assets) | | (1.19) | | (10.07) | |
| Proceeds from sale of properties | | 29.91 | | 0.70 | |
| Proceeds from sale of current investments | | - | | 125.57 | |
| Receipt of business consideration on sale of investment in subsidiaries | | 48.59 | | 14.96 | |
| Redemption/Investments in bank deposits | | 128.89 | | (126.76) | |
| Movement in margin money account | | (15.26) | | (0.03) | |
| Movement in balances with banks on dividend account | | 0.12 | | 0.50 | |
| Dividend received on investments | | - | | 1.74 | |
| Interest received | | 5.63 | | 4.63 | |
| | | | 393.07 | | 11.24 |
| Net cash generated from investing activities | (B) | | 393.07 | | 11.24 |

Consolidated Cash Flow Statement

for the year ended March 31, 2020

| | Notes | Year ended 31.03.2020 | | Year ended 31.03.2019 | |
|---|---------|-----------------------|----------|-----------------------|----------|
| | | ₹/Crores | | ₹/Crores | |
| 3. Cash flow from financing activities: | | | | | |
| Lease obligation paid | | (1.77) | | - | |
| Proceeds from loans and borrowings | | 1,800.26 | | 1,279.48 | |
| Repayment of loans and borrowings | | (2,194.16) | | (1,633.16) | |
| Interest paid | | (94.22) | | (122.95) | |
| Unclaimed dividend transferred to investor protection fund | | (0.12) | (490.01) | (0.50) | (477.13) |
| Net cash outflow from financing activities | (C) | | (490.01) | | (477.13) |
| Net increase/(decrease) in cash and cash equivalents | (A+B+C) | | (34.82) | | (25.26) |
| Opening balance of cash and cash equivalents | | | 90.42 | | 115.82 |
| Effect of foreign exchange on cash and cash equivalents | | | (0.04) | | (0.14) |
| Effect of exchange differences on translation of foreign operations | | | (0.30) | | |
| Closing balance of cash and cash equivalents | | | 55.26 | | 90.42 |
| Cash and cash equivalents comprise of | | | | | |
| Cash, cheques and drafts (on hand) | | | 0.15 | | 17.85 |
| Balances with banks on current accounts | | | 55.01 | | 65.24 |
| Balances with banks on deposits accounts | | | 0.10 | | 7.33 |

* Amount represents proceeds from sale of investment in subsidiary for a total consideration of ₹ 303.35 crores. Net cash inflow of ₹ 196.38 crores is after adjusting ₹ 98.20 crores of cash and cash equivalent balances in the book of subsidiary and ₹ 8.77 crores expenditure incurred on the sale transaction.

Notes:

1 Figures in brackets indicate cash outflow.

The above cash flow from operating activities has been prepared under the "Indirect Method" as set out in Indian Accounting Standard (Ind AS) 7- Statement of cash flows.

As per our report of even date attached

For B S R & Associates LLP

Chartered Accountants

ICAI Registration Number-116231W/W-100024

Sandeep Batra

Partner

Membership Number - 093320

New Delhi, June 15, 2020

For and on behalf of the Board of Directors of
HCL Infosystems Limited

Pawan Kumar Danwar

Director

DIN - 06847503

Kapil Kapur

Chief Financial Officer

Noida, June 15, 2020

Kaushik Dutta

Director

DIN - 03328890

Sushil Kumar Jain

Company Secretary

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

a. Equity Share Capital

| | ₹/Crores | |
|---------------------------------|-------------------------|----------------------|
| | Number of Equity Shares | Equity Share Capital |
| Balance as at 01.04.2018 | 32,92,09,928 | 65.84 |
| Balance as at 31.03.2019 | 32,92,09,928 | 65.84 |
| Balance as at 01.04.2019 | 32,92,09,928 | 65.84 |
| Balance as at 31.03.2020 | 32,92,09,928 | 65.84 |

b. Other Equity

| Particulars | Attributable to Shareholders of HCL Infosystems Limited | | | | | Total Equity | Non Controlling interests | Total |
|---|---|-----------------|-----------------|-------------------|---|-----------------|---------------------------|-----------------|
| | Reserve and surplus | | | | | | | |
| | Securities Premium Reserve | General Reserve | Capital Reserve | Retained Earnings | Exchange differences on translating the financial statements of a foreign operation | | | |
| Balance as at 01.04.2018 | 1,194.37 | 215.76 | 0.04 | (1,256.37) | 15.70 | 169.50 | (0.00) | 169.50 |
| Total loss for the year | - | - | - | (135.20) | - | (135.20) | (0.00) | (135.20) |
| Other comprehensive income for the year | - | - | - | (1.42) | 5.43 | 4.01 | - | 4.01 |
| Balance as at 31.03.2019 | 1,194.37 | 215.76 | 0.04 | (1,392.99) | 21.13 | 38.31 | (0.00) | 38.31 |
| Balance as at 01.04.2019 | 1,194.37 | 215.76 | 0.04 | (1,392.99) | 21.13 | 38.31 | (0.00) | 38.31 |
| Total loss for the year | - | - | - | (136.33) | - | (136.33) | (0.00) | (136.33) |
| Other comprehensive income for the year | - | - | - | (0.49) | 4.61 | 4.12 | - | 4.12 |
| Reclassification of FCTR on disposal | - | - | - | - | (14.08) | (14.08) | - | (14.08) |
| Balance as at 31.03.2020 | 1,194.37 | 215.76 | 0.04 | (1,529.81) | 11.66 | (107.98) | (0.00) | (107.98) |

As per our report of even date attached

For B S R & Associates LLP

Chartered Accountants

ICAI Registration Number-116231W/W-100024

Sandeep Batra

Partner

Membership Number - 093320

New Delhi, June 15, 2020

For and on behalf of the Board of Directors of

HCL Infosystems Limited

Pawan Kumar Danwar

Director

DIN - 06847503

Kapil Kapur

Chief Financial Officer

Noida, June 15, 2020

Kaushik Dutta

Director

DIN - 03328890

Sushil Kumar Jain

Company Secretary

Notes to Consolidated Financial Statements

1. Corporate information

These consolidated financial statements comprise financial statements of HCL Infosystems Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31.03.2020. The Company is domiciled and incorporated in India and publicly traded on the National Stock Exchange of India Limited ('NSE') and the BSE Limited ('BSE') in India. The registered office of the Company is situated at 806, Siddharth, 96, Nehru Place, New Delhi - 110019.

The Group's business is primarily diversified into four segments viz. Distribution, Hardware Products and Solutions, Services and Learning, engaged into selling of computer hardware and mobile handsets to enterprise and consumers, system integration business, rendering wide portfolio of services including IT Infrastructure Services, Infrastructure Managed Services, Enterprise Application Services, Office Automation Services, Managed Print Services, Life Cycle Services and After-Sales Support Services and selling digitised educational content & learning solutions.

The consolidated financial statements have been approved by the Board of Directors and authorised for issue on 15.06.2020.

2. Significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation and measurement

(i) Basis of preparation

These financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the Act) [Companies (Indian Accounting Standards) Rules, 2015] and other relevant provisions of the Act.

The statement of cash flows have been prepared under indirect method.

These consolidated financial statements have been prepared in Indian Rupee (₹) which is the functional currency of the Group.

(ii) Basis of measurement

The financial statements have been prepared on a going concern basis using historical cost convention and on accrual method of accounting, except for the certain financial assets and liabilities which have been measured at fair value as explained in the accounting policies below.

2.2 Basis of consolidation

The Company consolidates all entities which are controlled by it. The Company establishes control when; it has power over the entity, is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect the entity's returns by using its power over relevant activities of the entity. Entities controlled by the Company are consolidated from the date control commences until the date control ceases.

The results of subsidiaries acquired, or sold, during the year are consolidated from the effective date of acquisition and up to the effective date of disposal, as appropriate. All inter-company transactions, balances, income and expenses are eliminated in full on consolidation

2.3 Recent Indian Accounting Standards (Ind AS)

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards. There is no such notification which would have been applicable from April 1, 2020.

2.4 Use of estimates

The preparation of consolidated financial statements in conformity with Generally Accepted Accounting Principles requires the management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, disclosure of contingent liabilities and contingent assets at the date of these consolidated financial statements and the results of operations during the reporting period. The actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

2.5 Critical accounting estimates, assumptions and judgements

In the process of applying the Group's accounting policies, the management has made following estimates, assumptions and judgements, which have significant effect on the amounts recognised in these consolidated financial statement:

Notes to Consolidated Financial Statements

a) Property, plant and equipment

The management engages external adviser or internal technical team to assess the remaining useful lives and residual value of property, plant and equipment. The management believes that the assigned useful lives and residual value are reasonable.

b) Intangibles

Internal technical or user team assess the remaining useful lives of Intangible assets. The management believes that assigned useful lives are reasonable.

c) Income taxes

Management's judgment is required for the calculation of provision for income taxes and deferred tax assets and liabilities. The Group reviews, at each balance sheet date, the carrying amount of deferred tax assets and amount of unrecognised deferred tax assets, in view of availability of future taxable income to realise such recognised and unrecognised assets. The Group has significant business losses which are available to be set-off against the future taxable income, at each reporting date, the management evaluates whether it is reasonably certain to recognise deferred tax assets on such business losses, considering the future outlook of business. The factors used in estimates may differ from actual outcome which could lead to significant adjustment to the amounts reported in the consolidated financial statements.

d) Contingencies

Management's judgement is required for estimating the possible outflow of resources, if any, in respect of contingencies/claim/litigations against the Group as it is not possible to predict the outcome of pending matters with accuracy.

e) Allowance for uncollected accounts receivable and advances

Trade receivables do not carry any interest and are stated at their amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts. Individual trade receivables are written off when management deems them not to be collectible. Impairment is made on the expected credit losses, which are the present value of the cash shortfall over the expected life of the financial assets.

f) Liquidated damages

Liquidated damages payable are estimated and recorded as per contractual terms; estimate may vary from actual as levied by customer.

g) Impairment assessment

Goodwill is tested for impairment at least annually and whenever events or changes in circumstances indicate that the recoverable amount of Cash Generating Unit ('CGU') or group of CGUs, to which goodwill is allocated, is less than the carrying value. Impairment test for goodwill is performed at the level of each CGU or groups of CGUs expected to benefit from acquisition-related synergies and represent the lowest level within the entity at which the goodwill is monitored for internal management purposes, within an operating segment. The management applies its judgement to identify the CGUs, which are expected to derive synergies together, and allocates goodwill to such group of CGUs.

Other intangibles and property, plant and equipment (PPE) are tested for impairment, whenever events or changes in circumstances indicate that the recoverable amount of Cash Generating Unit ('CGU'), to which such intangibles or PPE are allocated, is less than the carrying value.

The recoverable amount of a CGU is the greater of its fair value less costs to sell and value in use. The calculation of value in use involves use of significant estimates and assumptions which includes turnover and gross profit, growth rates and EBIT margin to calculate projected future cash flows, discount rate and long term growth rate.

h) Revenue recognition

- The Group's contracts with customers could include promises to transfer multiple products and services to a customer. The Group assesses the products / services promised in a contract and identifies distinct performance obligations in the contract. Identification of distinct performance obligation involves judgement to determine the deliverables and the ability of the customer to benefit independently from such deliverables.

Notes to Consolidated Financial Statements

- Judgement is also required to determine the transaction price for the contract. The transaction price could be either a fixed amount of customer consideration or variable consideration with elements such as volume discounts, service level credits, performance bonuses, price concessions and incentives. The transaction price is also adjusted for the effects of the time value of money if the contract includes a significant financing component. Any consideration payable to the customer is adjusted to the transaction price, unless it is a payment for a distinct product or service from the customer. The estimated amount of variable consideration is adjusted in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and is reassessed at the end of each reporting period. The Group allocates the elements of variable considerations to all the performance obligations of the contract unless there is observable evidence that they pertain to one or more distinct performance obligations.
- The Group uses judgement to determine an appropriate standalone selling price for a performance obligation. In case of multiple performance obligations the Group allocates the transaction price to each performance obligation on the basis of the relative standalone selling price of each distinct product or service promised in the contract. Where standalone selling price is not observable, the Group uses the expected cost plus margin approach to allocate the transaction price to each distinct performance obligation.
- The Group exercises judgement in determining whether the performance obligation is satisfied at a point in time or over a period of time. The Group considers indicators such as how customer consumes benefits as services are rendered or who controls the asset as it is being created or existence of enforceable right to payment for performance to date and alternate use of such product or service, transfer of significant risks and rewards to the customer, acceptance of delivery by the customer, etc.
- Revenue for fixed-price contract is recognised using percentage-of-completion method. The Group uses judgement to estimate the future cost-to-completion of the contracts which is used to determine the degree of completion of the performance obligation.

2.6 Current versus non-current classification

All assets and liabilities have been classified as current or non-current as per the Group's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Group has ascertained its operating cycle as 12 months for the purpose of current – non-current classification of assets and liabilities, except for system integration business. The system integration business which comprises of long-term contracts and have an operating cycle exceeding one year. For classification of current assets and liabilities related to system integration business (forming part of Hardware Products and Solutions), the Group elected to use the duration of the individual contracts as its operating cycle.

2.7 Principles of consolidation and equity accounting

i. Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

The Group combines the financial statements of the parent and its subsidiaries line by line adding together like items of assets, liabilities, equity, income and expenses. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests, if any, in the results and equity of subsidiaries are shown separately in the consolidated statement of profit and loss, consolidated statement of changes in equity and consolidated balance sheet respectively.

ii. Associates

Associates are all entities over which the Group has significant influence but not control or joint control.

Notes to Consolidated Financial Statements

This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

iii. Joint arrangements

Under Ind AS in joint arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated balance sheet.

iv. Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in statement of profit and loss and the Group's share of other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity accounted investments are tested for impairment in accordance with the policy described below.

v. Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised within equity.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in statement of profit and loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to statement of profit and loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

These consolidated financial statements comprise the financial statement of HCL Infosystems Limited (the Company) and its subsidiaries, as given in the following table:

| Name of the Subsidiary/ JV | Country of Incorporation | Extent of Holding (%) | |
|--|--------------------------|-----------------------|----------|
| | | 31.03.20 | 31.03.19 |
| Subsidiary | | | |
| Digilife Distribution and Marketing Services Limited | India | 100 | 100 |
| Pimpri Chinchwad eServices Limited | India | 85 | 85 |
| HCL Infotech Limited | India | 100 | 100 |
| HCL Learning Limited | India | 100 | 100 |

Notes to Consolidated Financial Statements

| Name of the Subsidiary/ JV | Country of Incorporation | Extent of Holding (%) | |
|--|--------------------------|-----------------------|----------|
| | | 31.03.20 | 31.03.19 |
| <u>Step-down Subsidiary of HCL Learning Limited</u> | | | |
| HCL Insys Pte Limited* | Singapore | - | 100 |
| <u>Step-down Subsidiary of HCL Infotech Limited</u> | | | |
| HCL Investment Pte. Limited. | Singapore | 100 | 100 |
| <u>Step-down Subsidiary of HCL Investment Pte Limited</u> | | | |
| Nurture Technologies FZE (formerly known as HCL Infosystems MEA FZE) | Dubai | 100 | 100 |

* Control ceases to exit w.e.f. 15.11.2019 on account of sale of interest.

2.8 Property, plant and equipment

Freehold land is carried at historical cost. All other items of property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of profit and loss on the date of disposal or retirement.

Subsequent costs are capitalised on the carrying amount or recognised as a separate asset, as appropriate, only when future economic benefits associated with the item are probable to flow to the Group and cost of the item can be measured reliably. All other repair and maintenance are charged to statement of profit and loss during the reporting period in which they are incurred.

Depreciation on property, plant and equipment is provided on straight-line basis over the useful lives of assets as determined on the basis of technical estimates which are similar to the useful lives as prescribed under Schedule II to the Companies Act, 2013 except for following assets:-

- (i) Hand Held Terminal 5 years
- (ii) Depreciation on fixed assets of the foreign subsidiaries:
 - Building 20 Years
 - Computers 3-4 Years
 - Furniture and Fixtures 4-6 Years
 - Office Equipment 6 Years

Assets residual values, depreciation method and useful lives are reviewed at each financial year end considering the physical condition of the assets or whenever there are indicators for review and adjusted residual life prospectively. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Leasehold land is amortised over a period of lease. Leasehold improvements are amortised on straight line basis over the period of three years or lease period whichever is lower.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in statement of profit and loss within other income.

2.9 Intangible assets

Identifiable intangible assets are recognised when the Group controls the asset, it is probable that future economic benefits attributed to the asset will flow to the Group and the cost of the asset can be reliably measured.

At initial recognition, the separately acquired intangible assets are recognised at cost. The cost of intangible assets that are acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, the intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any.

Amortisation is recognised in statement of profit and loss on a straight line basis over the estimated useful lives of intangible assets from the date they are available for use. The amortisation period and the amortisation method are reviewed at least at each financial year end. If the expected useful life of the asset is significantly different from

Notes to Consolidated Financial Statements

previous estimates, the amortisation period is changed accordingly. Gains or losses arising from the retirement or disposal of an intangible asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognised as income or expense in the statement of profit and loss.

Goodwill

Goodwill is initially recognised at cost and is subsequently measured at cost less any accumulated impairment losses. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss recognised in the statement of profit or loss on disposal.

Softwares

Softwares are capitalised at the amounts paid to acquire the respective license for use and are amortised over the period of license.

Digitised educational content (Intellectual Property Rights)

Research costs are expensed as incurred. Development expenditure incurred on an individual project is recognised as an intangible asset when technical and commercial feasibility of the project is demonstrated, future economic benefits are probable, the Group has ability and intention to complete the asset and use or sell it and cost can be measured reliably. The costs incurred, during the development stage but before completion, are deferred and classified as intangible assets under development. Upon completion, such costs are transferred to intangible assets and amortised over the estimated useful life of such asset.

Intangible assets (other than Goodwill) are amortised at straight line basis as follows:

| | |
|------------------------------|-----------|
| Intellectual Property Rights | 7 years |
| Software | 1-5 years |

2.10 Leases

The Group has applied IND AS 116 Leases for the first time for the annual period beginning on 1 April 2019.

Other than IND AS 116, the application of the new amendments to standards and interpretations effective on 1 April 2019 does not have a material effect on the financial statements.

IND AS 116 Leases

The Group applied IND AS 116 using the modified retrospective approach. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IND AS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IND AS 116 have not generally been applied to comparative information.

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under Appendices C of IND AS 17 Determining whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in IND AS 116.

On transition to IND AS 116, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IND AS 116 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IND AS 17 and Appendices C of IND AS 17 were not reassessed for whether there is a lease under IND AS 116. Therefore, the definition of a lease under IND AS 116 was applied only to contracts entered into or changed on or after 1 April 2019.

As a lessee

As a lessee, the Group leases many assets including properties and office equipment. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IND AS 116, the Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of property the Company has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component

Notes to Consolidated Financial Statements

As a lessor

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term unless the receipts are structured to increase in line with expected general inflation to compensate for the expected inflationary cost increases. The respective leased assets are included in the balance sheet based on their nature.

Assets given under finance lease are recognised as receivables at an amount equal to the net investment in the lease. Inventories given on finance lease are recognised as deemed sale at fair value. Lease income is recognised over the period of the lease so as to yield a constant rate of return on the net investment in the lease.

Sale and leaseback

Sale and lease back transaction is recognized as sale if transfer of asset satisfies the requirements of Ind AS 115 to be accounted. The Group shall measure the right-of-use asset arising from the sale and leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the Group. Accordingly, the Group shall recognize only the amount of any gain or loss that relates to the rights transferred to the buyer.

2.11 Financial Instruments

A. Financial instruments – Initial recognition and measurement

Financial assets and financial liabilities are recognised in the Group's consolidated financial statement when the Group becomes a party to the contractual provisions of the instrument. The Group determines the classification of its financial assets and liabilities at initial recognition. All financial assets and liabilities are initially recognised at fair value plus directly attributable transaction costs in case of financial assets and liabilities not at fair value through profit or loss. Financial assets and liabilities carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of profit and loss.

B. Financial assets

1. Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Debt instrument

a. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are classified as held for trading unless they are designated as effective hedging instruments. Financial assets are designated upon initial recognition at fair value through profit or loss when the same are managed by the Group on the basis of their fair value and their performance is evaluated on fair value basis in accordance with a risk management or investment strategy of the Group. Financial assets at fair value through profit or loss are carried in the consolidated balance sheet at fair value with changes in fair value recognised in other income in the statement of profit and loss.

b. Financial assets measured at amortised cost

Loans and receivables are non-derivative financial assets that are held for collection of contractual cash flows, where the assets' cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in other income.

c. Fair value through other comprehensive income (FVOCI):

Financial assets are measured at fair value through other comprehensive income (OCI) if these financial assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in statement of profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/ (losses). Interest income from these financial assets is included in other income using the effective interest rate method.

Notes to Consolidated Financial Statements

Equity instruments

1. Subsequent measurement

The Group subsequently measures all equity investments at fair value. Dividends from such investments are recognised in statement of profit and loss as other income when the Group's right to receive payments is established.

2. Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expires or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset.

C. Financial liabilities

1. Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities measured at amortised cost

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate method. The effective interest rate method's amortisation is included in finance costs in the statement of profit and loss.

2. Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit and loss.

D. Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

E. Derivative financial instruments - current versus non-current classification

Derivative instruments will be held for a period beyond twelve months after the reporting date, are classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item. These are classified as current, when the remaining holding period is upto twelve months after the reporting date.

F. Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables only, the Group applies the simplified approach permitted by Ind AS 109 Financial

Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

G. Fair value measurement

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Notes to Consolidated Financial Statements

Level 1- Quoted (Unadjusted) marked prices in the active markets for identical assets or liabilities

Level 2- Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3- Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

2.12 Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised in respect of temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes. Deferred tax is also recognised of carried forward tax losses and tax credits. Deferred tax is not recognised for:

- temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of transaction.
- Temporary difference related to investment in subsidiaries and associates and joint arrangement to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be used. The existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore in case of a history of recent losses, the Group recognised a deferred tax assets only to the extent that it has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which such deferred tax assets can be realised. Deferred tax assets-unrecognised or recognised, are reviewed at each reporting date and are recognised/reduced to the extent that it is probable/no longer probable respectively that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to apply to the period when the assets is realised or the liability is settled based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amounts of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or no different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

2.13 Inventories

Raw materials, stock-in-trade and finished goods are stated at the lower of cost and net realisable value. Stores and Spares are valued at lower of cost and net realisable value/future economic benefit expected to arise when consumed during rendering of services.

Cost of raw materials, stores and spares and stock-in-trade comprises cost of purchases. Cost of finished goods comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost of inventories also include all other costs incurred in bringing the inventories to their present location and condition. Cost is determined on the basis of weighted average. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Goods in-transit is valued inclusive of custom duty, where applicable.

Notes to Consolidated Financial Statements

2.14 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.15 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which is subject to an insignificant risk of changes in value.

2.16 Impairment of assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation and amortisation are reviewed for impairment, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or when annual impairment testing for an asset is required. Such circumstances include, though are not limited to, significant or sustained decline in revenues or earnings and material adverse changes in the economic environment.

Impairment test for goodwill is performed at the level of each Cash Generating Unit ('CGU') or groups of CGUs expected to benefit from acquisition-related synergies and represent the lowest level within the entity at which the goodwill is monitored for internal management purposes, within an operating segment. 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. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. To calculate value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Fair value less costs to sell is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, less the costs of disposal. Impairment losses, if any are recognised in statement of profit and loss as a component of depreciation and amortisation expense.

An impairment loss in respect of goodwill is not reversed. Other impairment losses are only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had previously been recognised.

2.17 Non-current Assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The sale is considered highly probable only when the asset or disposal group is available for immediate sale in its present condition, it is unlikely that the sale will be withdrawn and sale is expected within one year from the date of the classification. Disposal groups classified as held for sale are stated at the lower of carrying amount and fair value less costs to sell. Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately in the consolidated balance sheet.

If the criteria stated by Ind AS 105 "Non-current Assets Held for Sale and Discontinued Operations" are no longer met, the disposal group ceases to be classified as held for sale. Non-current asset that ceases to be classified as held for sale are measured at the lower of (i) its carrying amount before the asset was classified as held for sale, adjusted for depreciation that would have been recognised had that asset not been classified as held for sale, and (ii) its recoverable amount at the date when the disposal group ceases to be classified as held for sale.

2.18 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid in accordance with the terms with the vendors. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Notes to Consolidated Financial Statements

2.19 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in statement of profit and loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in statement of profit and loss as other gains/(losses).

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Where there is a breach of a material provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, the entity does not classify the liability as current, if the lender agreed, after the reporting period and before the approval of the financial statements for issue, not to demand payment as a consequence of the breach.

2.20 Provisions, contingent liabilities and contingent assets

a) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

b) Contingencies

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 Group 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 or a reliable estimate of the amount cannot be made. Information on contingent liability is disclosed in the notes to the consolidated financial statements.

Contingent assets are possible assets that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent assets are disclosed where an inflow of economic benefits is probable.

2.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker.

The Board of Directors of the Company has authorised its Managing Director to assess the financial performance and position of the Group and makes decisions in normal course of business operations. For key strategic decisions, the Board of Directors take decisions after evaluating the possible options and recommendations given by the management. The Board of Directors together with Managing Director has been identified as being the chief operating decision maker. Refer note 39 for segment information presented.

2.22 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Group's operations

Notes to Consolidated Financial Statements

are primarily in India, except operations in subsidiaries incorporated outside India. The consolidated financial statements are presented in Indian rupee (INR), which is the Group's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in statement of profit and loss.

Foreign exchange differences regarded as an adjustment to borrowing costs are presented in the statement of profit and loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit and loss on a net basis within other income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(iii) Group companies

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing exchange rate at the date of that balance sheet
- income and expenses are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- All resulting exchange differences are recognised in other comprehensive income items that will be subsequently reclassified to profit and loss account.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.23 Revenue recognition

The Group derives revenues primarily from sale of products and services and long term composite contracts requiring sale and integration of IT products. Revenue is measured at the fair value of the consideration received or receivable.

Sales of goods

Timing of recognition

The Group is engaged into the business of –

- Purchase/ sale and distribution of IT products, including computer hardware and mobile handsets.
- Developing the digitised educational content and selling such content licenses to digi school.

Revenue from the sale of products is recognised at the point in time when control is transferred to the customer

Measurement of revenue

Revenue is measured based on the transaction price, which is the consideration, adjusted for volume discounts, service level credits, performance bonuses, price concessions and incentives, if any, as specified in the contract with the customer. Revenue also excludes taxes collected from customers.

Rendering of services

Timing of recognition

Service income includes income from IT infrastructure managed services, break-fix services, office automation maintenance services and managed print services. Revenues relating to time and materials contracts are recognized as the related services are rendered. Revenue in case of fixed price contracts is recognised on percentage of completion basis of accounting with contract costs incurred determining the degree of completion of the performance obligation. The contract costs used in computing the revenues include cost of fulfilling warranty obligations. Revenue related to fixed price maintenance and support services contracts where the Group is standing ready to provide services is recognised based on time elapsed mode and revenue is straight lined over the period of performance.

Notes to Consolidated Financial Statements

Measurement of revenue

Revenue is based on the price specified in the sales contract, net of the estimated volume discounts. For separately identified component from multiple element arrangement, pertaining to the sale of services, the revenues are measured based on fair value allocated to such component within the overall arrangement.

Revenue from long term composite contract

The Group enters into long term fixed price composite contracts with its customers, which requires design and integration of IT hardware and software to build an integrated solution. The contract involves seamless sale of products and services, with objective to build a solution which meets specifications mentioned in the contract. The execution of these contracts require long period of time, usually more than 12 months.

Timing of recognition

The accounting for these composite contracts, outcome of which can be reliably estimated, where no significant uncertainty exists regarding realisation of the consideration, the revenue is recognised in accordance with the percentage completion method, under which revenue is recognised on the basis of cost incurred as a proportion of total cost expected to be incurred. The costs incurred is considered as reasonable source to measure progress towards completion as there is direct relationship between the input and productivity. Provision for foreseeable losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on current contract estimates. Costs and earnings in excess of billings are classified as unbilled revenues, while billings in excess of costs and earnings are classified as deferred revenues.

Measurement of revenue

The revenues are measured based on overall price for the solution as mentioned in the contract, applying percentage of completion method. For delivery of integrated solution is identified as separate component from multiple element arrangement, the revenues are measured based on fair value allocated to the solution/ deliverable within the overall arrangement. Such allocated fair value is recognised as revenues using percentage of completion method over the period of contract.

Revenue from multiple-element arrangement

Timing of revenue recognition

The Group enters into contracts consisting of any combination of supply of IT solutions & hardware and installation and other services. Within these multiple element arrangements, separate components are identified and accounted for based on the nature of those components, considering the economic substance of the entire arrangement. The revenue allocated to each component is recognized when the revenue recognition criteria for that component have been met.

Measurement of revenue

Revenue is allocated to each separately identifiable component based on the fair value of each component. Where the relative fair value of all the components are not separately identifiable, fair value of one component is determined by taking into consideration factors such as the price of the component when sold separately and the component cost plus a reasonable margin. Fair values of the remaining components are determined based on the residual approach.

Estimates of revenue, costs or extent of progress towards completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in statement of profit and loss in the period in which the circumstances that give rise to the revision become known by management.

Interest income

Interest income is recognised as the interest accrues using the effective interest method, under which the rate used exactly discount estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

2.24 Employee benefits

Defined benefit plans

Gratuity

The liability recognised in the balance sheet is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

Notes to Consolidated Financial Statements

The present value is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit and loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the consolidated balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in statement of profit or loss as past service cost.

Provident fund

In respect of certain employees, Provident Fund contributions are made to a multi-employer Trust administered by the Company. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of the year and any shortfall in the fund size maintained by the Trust set up by the Company is additionally provided for. Actuarial losses/gains are recognised in the statement of profit and loss in the year in which they arise.

Defined contribution plans

Contributions to the employees' state insurance fund, administered by the prescribed government authorities, are made in accordance with the Employees' State Insurance Act, 1948 and are recognised as an expense on an accrual basis.

Company's contribution towards Superannuation Fund is accounted for on accrual basis.

The Company makes defined contributions to a Superannuation Trust established for the purpose. The Company has no further obligation beyond the monthly contributions.

Other benefits

Compensated absences

Accumulated compensated absences, which are expected to be availed or encashed within 12 months from the end of the year end are treated as short term employee benefits. The obligation towards the same is measured at the expected cost of accumulating compensated absences as a result of the unused entitlement as at the year end.

Accumulated compensated absences, which are expected to be availed or encashed beyond 12 months from the end of the year end are treated as other long term employee benefits. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. Actuarial losses/ gains are recognised in the statement of profit and loss in the year in which they arise.

Long term employee benefits

Employee benefits, which are expected to be availed or encashed beyond 12 months from the end of the year are treated as other long term employee benefits. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year.

Employee options

The fair value of options granted is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions
- excluding the impact of any service and non-market performance vesting conditions, and
- including the impact of any non-vesting conditions

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Notes to Consolidated Financial Statements

2.25 Discontinued operations

A discontinued operation is a component of Group's business, the operations and cash flows of which can be clearly distinguished from those of the rest of the Group and which represents a separate major line of business or geographical area of operations and

- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

When an operation is classified as a discontinued operation, the comparative statement of profit loss is re-presented as if the operation had been discontinued from the start of the comparative period.

2.26 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2.27 Earnings per share

- (i) Basic earnings per share

Basic earnings per share is computed by dividing:

- the profit attributable to owners of the Group
- by the weighted average number of equity shares outstanding during the financial year

- (ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential equity shares, and
- the weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.

2.28 Exceptional items

Items which are material either because of their size or their nature, and which are non-recurring, are highlighted through separate disclosure. The separate reporting of exceptional items helps provide a better picture of the Group's underlying performance.

Notes to Consolidated Financial Statements

3 (a) Property, Plant & Equipment

| Particulars | Gross carrying amount | | | | | | Accumulated depreciation | | | | | | Net carrying amount As at 31.03.2020 | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|-----------------------|---------------|--------------------------|--------------|--------------------------|--------------|---|-------------|---|-------------|---------------------|-------------|--|--------------------------|-------------|--------------------------|-------------|---|-------------|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|-------|-------|--|--|--|--|--|--|--|
| | As at 01.04.2019 | | Additions/ Adjustment | | Disposal/ Adjustment# | | Transferred to discontinued operations | | Effect of foreign currency translation | | As at 01.04.2019 | | | Additions/ Adjustment | | Disposal/ Adjustment# | | Transferred to discontinued operations | | Effect of foreign currency translation | | | | | | | | | | | | | | | | | | | |
| | 12.30 | 15.27 | 0.19 | 13.34 | 3.73 | 41.39 | 14.38 | 9.84 | 0.04 | 0.19 | 3.17 | 0.73 | | 16.96 | 0.89 | 55.33 | 0.14 | 71.42 | 5.91 | 2.06 | 8.45 | 3.24 | 32.83 | 3.73 | 2.12 | 12.30 | 0.60 | 6.17 | 3.37 | 8.78 | 0.76 | 11.54 | | | | | | | |
| Leasehold Land | 12.30 | 15.27 | 0.19 | 13.34 | 3.73 | 41.39 | 14.38 | 9.84 | 0.04 | 0.19 | 3.17 | 0.73 | 16.96 | 0.89 | 55.33 | 0.14 | 71.42 | 5.91 | 2.06 | 8.45 | 3.24 | 32.83 | 3.73 | 2.12 | 12.30 | 0.60 | 6.17 | 3.37 | 8.78 | 0.76 | 11.54 | | | | | | | | |
| Leasehold improvements | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Freehold Land [^] | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Buildings (refer note 44) [^] * | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Plant and Machinery | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Furniture and Fixtures | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Office Equipments | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Vehicles | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Computers | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total | 125.72 | 125.72 | 0.89 | 55.33 | 0.14 | 71.42 | 5.91 | 2.06 | 8.45 | 3.24 | 32.83 | 3.73 | 2.12 | 12.30 | 0.60 | 6.17 | 3.37 | 8.78 | 0.76 | 11.54 | 3.67 | 2.51 | 4.21 | 0.97 | 1.09 | 0.37 | 1.40 | 4.51 | 17.80 | 53.62 | | | | | | | | | |

Notes:

[^] Land and Building at Ambattur amounting to ₹ 3.12 crores (2019- ₹ 3.16 crores) are pending registration in the name of the Group.

* Building situated in Dubai having carrying value of ₹ 9.94 and accumulated depreciation ₹ 4.03 has been impaired by ₹ 3.26 and classified as held for sale (refer note 44).

Amounts include transfer of property plant and equipments pursuant to sale of HCL Insys Pte Ltd to PCCW Ltd (refer note 45)

Property, Plant & Equipment

| Particulars | Gross carrying amount | | | | | | Accumulated depreciation | | | | | | Net carrying amount As at 31.03.2019 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|-----------------------|---------------|--------------------------|--------------|-------------------------|---------------|---|-------------|---|--------------|---------------------|------|--|--------------------------|--------|-------------------------|-------|---|-------|---|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
| | As at 01.04.2018 | | Additions/ Adjustment | | Disposal/ Adjustment | | Transferred to discontinued operations | | Effect of foreign currency translation | | As at 01.04.2018 | | | Additions/ Adjustment | | Disposal/ Adjustment | | Transferred to discontinued operations | | Effect of foreign currency translation | | | | | | | | | | | | | | | | | | | | |
| | 12.30 | 8.53 | 6.61 | 7.64 | 52.22 | 14.48 | 9.71 | 4.87 | 2.88 | 21.73 | 1.71 | 1.63 | | 18.93 | 1.19 | 125.72 | 30.79 | 3.92 | 45.41 | 80.30 | | | | | | | | | | | | | | | | | | | | |
| Leasehold Land | 12.30 | 8.53 | 6.61 | 7.64 | 52.22 | 14.48 | 9.71 | 4.87 | 2.88 | 21.73 | 1.71 | 1.63 | 18.93 | 1.19 | 125.72 | 30.79 | 3.92 | 45.41 | 80.30 | | | | | | | | | | | | | | | | | | | | | |
| Leasehold improvements | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Freehold Land [^] | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Buildings (refer note 47) [^] * | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Plant and Machinery | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Furniture and Fixtures | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Office Equipments | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Vehicles | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Computers | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total | 134.36 | 134.36 | 9.09 | 18.93 | 1.19 | 125.72 | 30.79 | 3.92 | 45.41 | 80.30 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

Notes:

[^] Land and Building at Ambattur amounting to ₹ 3.20 crores (2018- ₹ 3.24 crores) are pending registration in the name of the Group.

* It includes assets classified as held for sale of gross carrying amount of ₹ 15.28 crores, accumulated depreciation of ₹ 0.92 crores and net carrying amount of ₹ 14.36 crores. Refer note 44.

Notes to Consolidated Financial Statements

3 (b) Right of use assets

| Particulars | Gross carrying amount | | | | | Accumulated amortisation/impairment | | | | | Net carrying amount | | |
|---------------------|-----------------------|------------------------|-----------------------|--|--|-------------------------------------|------------------|------------------------|-----------------------|--|--|------------------|------------------|
| | As at 01.04.2019 | Additions / Adjustment | Disposal / Adjustment | Transferred to discontinued operations | Effect of foreign currency translation | As at 31.03.2020 | As at 01.04.2019 | Additions / Adjustment | Disposal / Adjustment | Transferred to discontinued operations | Effect of foreign currency translation | As at 31.03.2020 | As at 31.03.2020 |
| | ₹/Crores | | | | | | | | | | | | |
| Right of use assets | - | 3.38 | - | - | - | 3.38 | - | 2.02 | - | - | - | 2.02 | 1.36 |
| Total | - | 3.38 | - | - | - | 3.38 | - | 2.02 | - | - | - | 2.02 | 1.36 |

3 (c) Other Intangible Assets

| Particulars | Gross carrying amount | | | | | Accumulated amortisation/impairment | | | | | Net carrying amount | | |
|------------------------------|-------------------------------|------------------------|------------------------------------|--|--|-------------------------------------|------------------|------------------------|------------------------------------|--|--|------------------|------------------|
| | As at 01.04.2019 [#] | Additions / Adjustment | Disposal / Adjustment [#] | Transferred to discontinued operations | Effect of foreign currency translation | As at 31.03.2020 | As at 01.04.2019 | Additions / Adjustment | Disposal / Adjustment [#] | Transferred to discontinued operations | Effect of foreign currency translation | As at 31.03.2020 | As at 31.03.2020 |
| | ₹/Crores | | | | | | | | | | | | |
| Intangible Assets: | | | | | | | | | | | | | |
| Software | 14.15 | 0.23 | 12.77 | - | - | 1.61 | 7.47 | 2.59 | 8.81 | - | - | 1.25 | 0.36 |
| Intellectual Property Rights | 0.23 | - | - | - | - | 0.23 | 0.24 | - | - | - | - | 0.24 | - |
| Technical Knowhow | 1.46 | - | - | - | - | 1.46 | 1.46 | - | - | - | - | 1.46 | - |
| Total | 15.84 | 0.23 | 12.77 | - | - | 3.30 | 9.17 | 2.59 | 8.81 | - | - | 2.95 | 0.36 |

Notes:

- Software comprise cost of acquiring licenses and SAP implementation charges.
 - Intellectual Property Rights comprise of designing and implementing education content.
 - Technical know how comprise of development cost of new technology/products.
- # Amounts include transfer of intangibles assets pursuant to sale of HCL Infosys Pte Ltd to PCCW Ltd (refer note 45)

Notes to Consolidated Financial Statements

Other Intangible Assets

| Particulars | Gross carrying amount | | | | | | Accumulated amortisation/impairment | | | | | | Net carrying amount |
|------------------------------|-----------------------|------------------------|-----------------------|--|--|------------------|-------------------------------------|------------------------|-----------------------|--|--|------------------|---------------------|
| | As at 01.04.2018 | | As at 31.03.2019 | | As at 01.04.2018 | | As at 31.03.2019 | | As at 31.03.2018 | | As at 31.03.2018 | | |
| | As at 01.04.2018 | Additions / Adjustment | Disposal / Adjustment | Transferred to discontinued operations | Effect of foreign currency translation | As at 31.03.2019 | As at 01.04.2018 | Additions / Adjustment | Disposal / Adjustment | Transferred to discontinued operations | Effect of foreign currency translation | As at 31.03.2018 | |
| Intangible Assets: | | | | | | | | | | | | | |
| Software | 10.72 | 3.20 | - | - | 0.23 | 14.15 | 3.87 | 3.49 | - | - | 0.11 | 7.47 | 6.68 |
| Intellectual Property Rights | 0.23 | - | - | - | - | 0.23 | 0.23 | - | - | - | - | 0.23 | - |
| Technical Knowhow | 1.46 | - | - | - | - | 1.46 | 1.46 | - | - | - | - | 1.46 | - |
| Total | 12.41 | 3.20 | - | - | 0.23 | 15.84 | 5.56 | 3.49 | - | - | 0.11 | 9.16 | 6.68 |

Notes:

- Software comprise cost of acquiring licenses and SAP implementation charges.
- Intellectual Property Rights comprise of designing and implementing education content.
- Technical know how comprise of development cost of new technology/products.

3 (d) Goodwill

| Particulars | Gross carrying amount | | | | | | Accumulated impairment | | | | | | Net carrying amount |
|---------------------------|-----------------------|------------------------|-----------------------|--|------------------|------------------|------------------------|-----------------------|--|------------------|------------------|---|---------------------|
| | As at 01.04.2019 | | As at 31.03.2020 | | As at 01.04.2019 | | As at 31.03.2020 | | As at 31.03.2020 | | As at 31.03.2020 | | |
| | As at 01.04.2019 | Additions / Adjustment | Disposal / Adjustment | Transferred to discontinued operations | As at 31.03.2020 | As at 01.04.2019 | Additions / Adjustment | Disposal / Adjustment | Transferred to discontinued operations | As at 31.03.2020 | As at 31.03.2020 | | |
| Goodwill on consolidation | 572.38 | - | - | 572.38 | - | - | 517.41 | - | 517.41 | - | - | - | - |
| Total | 572.38 | - | - | 572.38 | - | - | 517.41 | - | 517.41 | - | - | - | - |

Amounts include transfer of goodwill pursuant to sale of HCL Insys Pte Ltd to PCCW Ltd (refer note 45)

Notes to Consolidated Financial Statements

Goodwill

| Particulars | Gross carrying amount | | | | Accumulated impairment | | | | Net carrying amount | |
|---------------------------|-----------------------|------------------------|-----------------------|--|------------------------|------------------|------------------------|-----------------------|---------------------|--|
| | As at 01.04.2018 | Additions / Adjustment | Disposal / Adjustment | Transferred to discontinued operations | As at 31.03.2019 | As at 01.04.2018 | Additions / Adjustment | Disposal / Adjustment | | Transferred to discontinued operations |
| | 572.38 | - | - | - | 572.38 | 517.41 | - | - | | - |
| Goodwill on Consolidation | 572.38 | - | - | - | 572.38 | 517.41 | - | - | - | 54.97 |
| Total | 572.38 | - | - | - | 572.38 | 517.41 | - | - | - | 54.97 |

3 (e) Capital work-in-progress

| Particulars | As at 01.04.2019 | | As at 31.03.2020 | |
|--------------------------|------------------|-----------------------------|------------------|-----------------------------|
| | Addition | Capitalisation / Adjustment | Addition | Capitalisation / Adjustment |
| Capital work-in-progress | 0.04 | - | - | 0.04 |

Capital work-in-progress

| Particulars | As at 01.04.2018 | | As at 31.03.2019 | |
|--------------------------|------------------|-----------------------------|------------------|-----------------------------|
| | Addition | Capitalisation / Adjustment | Addition | Capitalisation / Adjustment |
| Capital work-in-progress | 2.25 | - | 2.21 | 0.04 |

Notes to Consolidated Financial Statements

| | As at 31.03.2020 | | As at 31.03.2019 | |
|--|------------------|--------------------|------------------|--------------------|
| | | Amount ₹/Crores | | Amount ₹/Crores |
| 4 Other Non-Current Financial Assets | | | | |
| Balance with bank- margin money | | 13.33 | | 0.98 |
| Security deposits | | 1.83 | | 2.91 |
| Business consideration receivable (refer note 45) | | 22.23 | | 70.82 |
| TOTAL | | 37.39 | | 74.71 |
| 5 Deferred tax asset (net) (refer note 37) | | | | |
| Deferred tax asset | | - | | 65.02 |
| | | - | | 65.02 |
| 6 Advance income tax asset (net) | | | | |
| Advance income tax [Provision for income tax of ₹ 48.52 crores (2019- ₹ 48.16 crores,)] | | 116.25 | | 112.15 |
| TOTAL | | 116.25 | | 112.15 |
| 7 Other non-current assets | | | | |
| Unsecured, considered good | | | | |
| Capital advances | | 0.01 | | 0.19 |
| Others | | | | |
| Balances with government authorities | | 206.76 | | 192.91 |
| Prepaid expenses | | 0.01 | | - |
| Others | | 0.62 | | 0.62 |
| Considered Doubtful | | | | |
| Capital advances | - | - | 0.50 | - |
| Less: Allowance for doubtful loans and advances | - | - | (0.50) | - |
| TOTAL | | 207.40 | | 193.72 |
| 8 Inventories | | | | |
| Stock-in-trade [Including in-transit ₹ 2.84 crores (2019- ₹ 11.58 crores)] | | 27.91 | | 95.51 |
| TOTAL | | 27.91 | | 95.51 |
| Write-downs of inventories to net realisable value recognised as an expense during the year amounts to ₹ 1.64 crores (2019- ₹ 3.73 crores). These were included in changes in value of inventories of work-in-progress, stock in trade and finished goods in statement of profit and loss. | | | | |

Notes to Consolidated Financial Statements

| | As at 31.03.2020 | | As at 31.03.2019 | |
|---|------------------|--------------------|------------------|--------------------|
| | | Amount ₹/Crores | | Amount ₹/Crores |
| 9 Trade receivables (refer note 32) | | | | |
| Unsecured: | | | | |
| Debts outstanding for a period exceeding six months from the date they are due for payment | | | | |
| - Receivables from Related Parties | - | | - | |
| - Others | | | | |
| Considered good | 193.94 | | 569.44 | |
| Considered doubtful | 254.12 | | 217.63 | |
| | 448.06 | | 787.07 | |
| Less: Allowance for doubtful debts | 254.12 | 193.94 | 217.63 | 569.44 |
| TOTAL | | 193.94 | | 569.44 |
| 10 Cash and cash equivalents | | | | |
| Balances with banks | | | | |
| - current account | | 55.01 | | 65.24 |
| Cash on hand | | 0.06 | | 0.05 |
| Cheques on hand | | 0.09 | | 17.80 |
| Bank deposits with original maturity of three months or less | 0.41 | | 7.64 | |
| Less: Money held in Trust | 0.31 | 0.10 | 0.31 | 7.33 |
| TOTAL | | 55.26 | | 90.42 |
| 11 Other bank balances | | | | |
| Bank deposits with original maturity of more than three months and up to twelve months* | | 17.10 | | 145.99 |
| Balance with banks | | | | |
| - On margin account [^] | | 6.00 | | 3.09 |
| - On dividend account | | - | | 0.12 |
| TOTAL | | 23.10 | | 149.20 |
| * includes ₹ 17.10 crores (2019 - ₹ 15 crores) lien marked with Banks | | | | |
| [^] includes ₹ 1.38 crores (2019- ₹ 1.02 crores) which is held in the name of Karvy Innotech Limited for and on behalf of the Company. | | | | |

Notes to Consolidated Financial Statements

| | As at 31.03.2020 | | As at 31.03.2019 | |
|--|------------------|--------------------|------------------|--------------------|
| | | Amount ₹/Crores | | Amount ₹/Crores |
| 12 Other financial assets | | | | |
| Lease rental recoverable (refer note 38) | 2.80 | | 5.86 | |
| Less: Allowance for doubtful lease rental recoverable | 2.80 | - | 5.45 | 0.41 |
| Security deposits | | 3.30 | | 2.21 |
| Unbilled revenue | | 25.25 | | 36.33 |
| Claims recoverable from vendor | | 29.03 | | 56.13 |
| Other receivable from related parties | | - | | - |
| Others (includes employee advances, insurance claim recoverable)* | | 3.15 | | 13.30 |
| Considered doubtful | | | | |
| Others (includes employee advances, insurance claim recoverable) | 11.11 | | 12.52 | |
| Less: Allowance for doubtful loans and advances | 11.11 | - | 12.52 | - |
| TOTAL | | 60.73 | | 108.38 |
| * includes ₹ 1.47 crores (2019 - ₹ 3.10 crores) of business consideration receivable from Qess Corp Limited. | | | | |
| 13 Other current assets | | | | |
| Unsecured, considered good | | | | |
| Balances with customs, port trust, excise, sales tax and goods and service tax authorities | | 55.53 | | 54.63 |
| Advances to creditors | | 4.76 | | 16.68 |
| Contract assets (refer note 34) | | 182.07 | | 293.80 |
| Prepaid expenses | | 22.01 | | 15.35 |
| Others (expenses recoverable) | | 2.61 | | 1.99 |
| Considered doubtful | | | | |
| Other current assets | 69.98 | | 7.81 | |
| Less: Allowance for doubtful other current assets (includes ₹ 63.10 crores on contract assets (2019 - Nil)) | 69.98 | - | 7.81 | - |
| TOTAL | | 266.98 | | 382.45 |
| 14 Equity share capital and other equity | | | | |
| (a) <u>Authorised</u> | | | | |
| 55,25,00,000 Equity Shares (2019 - 55,25,00,000) of ₹ 2/- each | | 110.50 | | 110.50 |
| 5,00,000 Preference Shares (2019 - 5,00,000) of ₹ 100/- each | | 5.00 | | 5.00 |
| TOTAL | | 115.50 | | 115.50 |
| Equity Share capital | | | | |
| <u>Issued, Subscribed and Paid up</u> | | | | |
| 32,92,09,928 Equity Shares, fully paid (2019 - 32,92,09,928) of ₹ 2/- each | | 65.84 | | 65.84 |
| TOTAL | | 65.84 | | 65.84 |

Notes to Consolidated Financial Statements

Notes:

(i) Rights attached to Equity Shares:

The Company has only one class of equity share having a face value of ₹ 2/- each. Each holder of equity shares is entitled to one vote per share held. The Company declares and pays dividend in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the Shareholders in ensuing General Meeting, except in case of interim dividend.

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 Shareholders.

| (ii) | Shareholders holding more than 5% of the aggregate shares in the Company | Number of Shares | % of shares | Number of Shares | % of shares |
|------|--|------------------|-------------|------------------|-------------|
| | (a) HCL Corporation Private Limited | 16,44,21,399 | 49.94 | 16,44,21,399 | 49.94 |
| | (b) VAMA Sundari Investments (Delhi) Private Limited | 4,26,03,194 | 12.94 | 4,26,03,194 | 12.94 |

(iii) Shares reserved for issue under options:

Information related to Employee Stock Option Plan, including details of options issued, exercised, expired and forfeited during the financial year and options outstanding at the end of the reporting period, is set out in note 43.

(b) Other equity

| | As at 31.03.2020 ₹/Crores | As at 31.03.2019 ₹/Crores |
|---|---------------------------------|---------------------------------|
| Reserve and surplus | | |
| Securities premium reserve | | |
| Opening balance | 1,194.37 | 1,194.37 |
| Closing balance | 1,194.37 | 1,194.37 |
| General reserve | | |
| Opening balance | 215.76 | 215.76 |
| Closing balance | 215.76 | 215.76 |
| Capital reserve | | |
| Opening balance | 0.04 | 0.04 |
| Closing balance | 0.04 | 0.04 |
| Retained earning | | |
| Opening balance | (1,392.99) | (1,256.37) |
| Remeasurement of post-employment benefit obligation, net of tax | (0.49) | (1.42) |
| Net loss for the year | (136.33) | (135.20) |
| Closing balance | (1,529.81) | (1,392.99) |
| Foreign currency translation of foreign operations | | |
| Opening balance | 21.13 | 15.70 |
| Exchange difference on translation of foreign operations | 4.61 | 5.43 |
| Reclassification on disposal of foreign operations | (14.08) | - |
| Closing balance | 11.66 | 21.13 |
| Total Other Equity attributable to the shareholders of HCL Infosystems Limited | (107.98) | 38.31 |

Notes to Consolidated Financial Statements

| | As at 31.03.2020 ₹/Crores | As at 31.03.2019 ₹/Crores |
|--|---------------------------------|---------------------------------|
| Financial Liabilities | | |
| 15(i) Non-current borrowings | | |
| Unsecured: | | |
| Term loans | | |
| - From others | 22.75 | 99.08 |
| | - | - |
| | 22.75 | 99.08 |
| 15(ii) Lease obligation (refer note 38) | | |
| Lease obligation | 1.61 | - |
| TOTAL | 1.61 | - |

Notes:

- (i) Secured term loan from bank and others amounting to Nil (2019 - ₹ 68.90 crores), out of which NIL (2019 - ₹ 68.90 crores) is shown under current maturity of long term debt, was secured by way of (1) First pari passu charge on identified immovable assets and all movable and intangible assets of the HCL Infosystems Limited and it's subsidiaries (2) First pari-passu charge on all current assets of the HCL Infosystems Limited and it's subsidiaries (except lease rental receivables). (3) Negative lien on two identified properties (4) Exclusive charge on debt service reserve account created by way of lien on fixed deposits/mutual funds of NIL (2019 - ₹ 34.84 crores) .The loan was repayable in 13 quarterly installments starting from September 2016 and carries interest @ 10.55% p.a.
- (ii) Unsecured term loans from others amounting to ₹ 0.70 crores (2019 - ₹ 1.96 crores), out of which ₹ 0.70 crores (2019 - ₹ 1.36 crores) is shown under current maturity of long term loan, are repayable in 9 half yearly installments (carries interest @ 2.97%) from the date of the loan disbursement.
- (iii) Unsecured term loans from others amounting to ₹ 67.83 crores (2019 - ₹ 254.71 crores), out of which ₹ 45.08 crores (2019 - ₹ 156.23 crores) is shown under current maturity of long term debt, is repayable in 12 to 20 equal quarterly installments from the date of the disbursement which carries interest @ 10.75% to 12.50% p.a.
- (iv) Secured term loans from bank amounting to ₹ NIL (2019 - ₹ 74.45), out of which NIL (2019 - ₹ 74.45) is shown under current maturity of long term debt, was secured by way of subservient charge on current and movable fixed assets of the Company and was repayable in 4 equal quarterly installments from the date of the disbursement which carries interest @ 10% p.a.

Note:

1. As per Ind AS provisions, the term loan balances are adjusted with the transaction/processing fees paid on the facility.
2. Subsidiaries include HCL Infotech Limited and HCL Learning Limited.

| | As at 31.03.2020 ₹/Crores | As at 31.03.2019 ₹/Crores |
|--|---------------------------------|---------------------------------|
| 16 Non-current provisions (refer note 40) | | |
| Provision for gratuity and other employee benefits | 4.46 | 7.88 |
| TOTAL | 4.46 | 7.88 |

Notes to Consolidated Financial Statements

| | As at 31.03.2020 ₹/Crores | As at 31.03.2019 ₹/Crores |
|----------------------------------|---------------------------------|---------------------------------|
| 17 Current borrowings | | |
| Secured: | | |
| Loans from Banks | | |
| - Term loans | 362.62 | 418.43 |
| - Cash credits | 27.07 | 19.71 |
| | 389.69 | 438.14 |
| Unsecured: | | |
| Loans repayable on demand | | |
| From Banks* | - | 31.98 |
| Term loan from others* | 20.69 | 28.28 |
| From related parties | 26.00 | - |
| Commercial paper | - | - |
| | 46.69 | 60.26 |
| TOTAL | 436.38 | 498.40 |

Note:

- i. Secured Term Loan from Banks amounting to ₹ 50.00 Crores (2019 - ₹ 124.37 Crores) is secured by way of (1) First pari passu charge on all immovable, movable and intangible assets of the HCL Infosystems Limited and its subsidiaries (2) First pari-passu charge on all current assets of the HCL Infosystems Limited and its subsidiaries (except lease rental receivables). (3) Negative lien on two identified properties. It carries interest @ 8.75% p.a.
- ii. Short Term Loan of ₹ 74.00 Crores (2019 - ₹ 99.98 Crores) is secured by way of subservient charge on stock and receivables of the Company and against support from HCL Corporation Private Limited. Short term loan of ₹ 74.00 crores is repayable in one year from the date of disbursement and carries interest @ 9.35% p.a.
- iii. Secured loan (cash credit and WCDL) from banks amounting to ₹ 116.56 crores (2019 - ₹ 39.70 crores) are secured by way of (1) First pari passu charge on 9 identified immovable, movable and intangible assets of the HCL Infosystems Limited and its subsidiaries (2) First pari-passu charge on all current assets of the HCL Infosystems Limited and its subsidiaries (except lease rental receivables). (3) Negative lien on two identified properties. (4) Lien on Fixed Deposit of ₹ 1.01 Crs.
- iv. Secured Term loans from Banks amounting to ₹ 149.13 crores (2019 - ₹ 149.14) is secured by way of subservient charge on current assets of the Company and against Support from HCL Corporation Private Limited and lien on fixed deposit for ₹ 16.08 Crores is repayable in 1 yearly installments from the date of the disbursement which carries interest @ 8.50% p.a.
- v. Short Term Loan of NIL (2019 - ₹ 24.95 Crores) was secured by way of subservient charge on current and movable fixed assets of the Company, was repayable after 6 months from the date of disbursement and carries interest @ 10.50% p.a.
- vi. Unsecured Intercompany Loan from HCL Corporation Private Limited amounting to ₹ 26 Crs (2019 - NIL) is repayable in 90 days from the date of avilment of each tranche, which carries interest @ 10% p.a.

* Includes ₹ 20.69 crores (2019- ₹ 60.26 crores) of extended supplier's credit.

Note:

- i. As per Ind AS provisions, the term loan balances are adjusted with the transaction/processing fees paid on the facility.
- ii. Subsidiaries include HCL Infotech Limited and HCL Learning Limited.

Notes to Consolidated Financial Statements

| | As at 31.03.2020 ₹/Crores | As at 31.03.2019 ₹/Crores |
|--|---------------------------------|---------------------------------|
| 18 Trade payables | | |
| (a) Total outstanding dues of micro enterprises and small enterprises and | 7.48 | 5.93 |
| (b) Total outstanding dues of creditors other than micro enterprises and small enterprises [Including acceptance ₹ 26.69 crores (2019 - ₹ 35.75 crores)] | 339.81 | 673.55 |
| TOTAL | 347.29 | 679.48 |
| 19 Other financial liabilities | | |
| Current maturities of long-term debts (refer note 15) | 45.78 | 300.94 |
| Current maturities of finance lease obligations (refer note 15) | - | 0.37 |
| Interest accrued but not due on borrowings | 2.68 | 6.28 |
| Unpaid dividends/ deposits* | 0.47 | 0.59 |
| Employee benefits payable | 18.81 | 20.97 |
| Capital creditors | 0.22 | 0.23 |
| Deposits | 5.95 | 5.66 |
| Other | - | - |
| TOTAL | 73.91 | 335.04 |
| * includes outstanding matured deposits of ₹ 0.47 crores (2019 - ₹ 0.47 crores) to be credited to Investor Education and Protection Fund under Section 125 of the Companies Act, 2013, which has been credited to Investor Education and Protection Fund subsequent to year end. | | |
| 20 Other current liabilities | | |
| Deferred revenue | 92.66 | 130.86 |
| Advances received from customers | 48.96 | 60.95 |
| Others | 3.03 | 3.33 |
| Statutory dues payable | 13.69 | 22.25 |
| TOTAL | 158.34 | 217.39 |
| 21 Current provisions | | |
| Provision for gratuity and other employee benefits (refer note 40) | 7.53 | 6.14 |
| Provision for contract losses | 25.04 | 31.34 |
| Provision for litigations {refer note 31 (b) (ii)} | 11.78 | 9.92 |
| TOTAL | 44.35 | 47.40 |
| 22 Current tax liabilities (net) | | |
| Current income tax liabilities [Advance income tax of ₹ Nil (2019- ₹ 12.99 crores)] | - | 3.09 |
| TOTAL | - | 3.09 |

Notes to Consolidated Financial Statements

| | Year ended 31.03.2020 ₹/Crores | Year ended 31.03.2019 ₹/Crores |
|--|--------------------------------------|--------------------------------------|
| 23 Revenue from operations | | |
| Sale of products | 1,661.08 | 3,715.09 |
| Sale of services | 9.20 | 44.32 |
| Revenue from composite contracts (refer note 41) | 144.89 | 115.21 |
| TOTAL | 1,815.17 | 3,874.62 |
| 24 Other income | | |
| Interest Income from financial asset at amortised cost | | |
| - On lease rental | 0.08 | 1.03 |
| - On fixed deposits | 5.45 | 4.22 |
| - On others | - | 0.08 |
| - On trade receivables | 29.11 | 53.50 |
| Dividend from unquoted (others) current investments | - | 1.74 |
| Gain/loss on sale of investment carried at fair value through profit or loss | - | 3.35 |
| Net profit on sale of property, plant and equipment | 0.10 | 0.04 |
| Gain on foreign exchange fluctuation | 1.52 | 1.73 |
| Provisions/liabilities no longer required written back | 26.64 | 9.63 |
| Miscellaneous income | 13.51 | 25.76 |
| Scrap sale | 0.37 | 0.14 |
| TOTAL | 76.78 | 101.22 |
| 25 Changes in inventories of stock-in-trade | | |
| Closing balance | | |
| - Finished goods (including in transit) | 0.00 | 0.16 |
| - Stock-in-trade | 28.04 | 94.98 |
| | 28.04 | 95.14 |
| Opening balance | | |
| - Finished goods (including in transit) | (0.00) | 0.18 |
| - Stock-in-trade | 95.64 | 298.50 |
| | 95.64 | 298.68 |
| Changes in inventories of stock-in-trade | 67.60 | 203.54 |
| 26 Other direct expenses | | |
| Purchase of services | 81.52 | 113.62 |
| Spares and stores consumed | 0.56 | 10.08 |
| TOTAL | 82.08 | 123.70 |

Notes to Consolidated Financial Statements

| | Year ended 31.03.2020 ₹/Crores | Year ended 31.03.2019 ₹/Crores |
|--|--------------------------------------|--------------------------------------|
| 27 Employee benefits expense | | |
| Salaries, wages, bonus and gratuity (refer note 40) | 105.87 | 120.56 |
| Contribution to provident and other funds (refer note 40) | 3.89 | 4.54 |
| Staff welfare expenses | 0.72 | 1.85 |
| TOTAL | 110.48 | 126.95 |
| 28 Finance costs | | |
| Interest on borrowings* | 76.76 | 110.51 |
| Other borrowing costs | 13.67 | 12.53 |
| TOTAL | 90.43 | 123.04 |
| *includes ₹ 0.25 crores (2019 - Nil) interest on lease obligations (refer note 38) | | |
| 29 Other expenses | | |
| Rent (refer note 38) | 7.85 | 12.11 |
| Rates and taxes | 14.26 | 2.25 |
| Printing and stationery | 0.34 | 0.55 |
| Communication | 1.31 | 2.43 |
| Travelling and conveyance | 4.59 | 5.72 |
| Packing, freight and forwarding | 2.43 | 4.96 |
| Legal, professional and consultancy charges (refer note 42) | 33.91 | 28.60 |
| Retainership expenses | 10.74 | 10.54 |
| Training and conference | 0.46 | 0.80 |
| Office electricity and water | 3.07 | 4.69 |
| Insurance | 6.57 | 5.95 |
| Advertisement, publicity and entertainment | 0.22 | 1.54 |
| Hire charges | 1.37 | 1.88 |
| Commission on sales | 0.87 | 5.30 |
| Bank charges | 8.55 | 10.78 |
| Allowance for doubtful debts* | 109.72 | 60.87 |
| Allowance for doubtful loans and advances and other current assets | 0.19 | 0.63 |
| Provision for Doubtful Other Current Assets | - | 1.28 |
| Property, plant and equipment written-off | 0.25 | - |
| Repairs | | |
| - Plant and Machinery | 0.27 | 0.36 |
| - Buildings | 0.54 | 0.85 |
| - Others | 3.43 | 4.04 |
| Net loss on foreign exchange fluctuation | 1.28 | 0.62 |
| Miscellaneous | 1.62 | 0.16 |
| TOTAL | 213.84 | 166.91 |
| * Allowance for doubtful debts includes unbilled revenue written off amounting Nil (2019 - ₹ 17.34 crores) and provision for doubtful contract assets created ₹ 63.10 crores (2019 - Nil) | | |

Notes to Consolidated Financial Statements

30 Exceptional items:

₹/Crores

| Particulars | Year ended 31.03.2020 | Year ended 31.03.2019 |
|--|--------------------------|--------------------------|
| a. Profit on sale of properties | 15.65 | - |
| b. Impairment of property, plant and equipment | (2.90) | - |
| Total | 12.75 | - |

- a) The group has recognised a profit on the sale of properties of ₹ 15.65 crores in current financial year .
- b) The group has provided impairment allowance of ₹ 2.90 crores on property and the property has been classified as "Assets held for Sale" in accordance with IND AS 105 in the current financial year.

31 Contingent Liabilities :

- (a) Claims against the Company not acknowledged as debts:

₹/Crores

| | As at 31.03.2020 | As at 31.03.2019 |
|--|---------------------|---------------------|
| Sales tax* | 298.96 | 273.60 |
| Excise, Service Tax and Customs* | 151.74 | 473.82 |
| Income tax | 36.74 | 23.72 |
| Industrial disputes, civil suits and consumer disputes | 2.67 | 2.53 |

* Includes sum of ₹ 117.62 crores (2019 - ₹ 140.96 crores) deposited by the Group.

The amounts shown above represents the best possible estimates arrived at on the basis of available information. The uncertainties and possible reimbursements are dependent on the out come of the different legal processes which have been initiated by the Group or the claimants as the case may be and therefore cannot be predicted accurately. It is not practicable for the Group to estimate the timing of cash outflows, if any, in respect of the above pending resolution of the respective proceedings.

- (b) Other Litigations :
- (i) The parent company has been named in a supplementary charge sheet filed with the Court with respect to a contract awarded to the Company in 2009 by the UP state Government, amounting to ₹ 2.94 crores (2019 - 2.94 crores), for the supply of computer hardware and related services under the National Rural Health Mission and therefore summons have been issued by the Court. CBI special court has framed charges against the parent company and its employee. Currently the proceedings has been stayed by Supreme Court. The management is of the view that the company has not engaged in any wrong doing.
- (ii) The Group has certain sales tax and other matters against which provision of ₹ 11.78 crores (2019- ₹ 9.92 crores) have been made. Provision of ₹ 3.85 crores (2019 ₹ 1.31 crores) has been made during the year and ₹ 1.99 crores (2019- ₹ 10.15) utilised during the year.

32 Disclosure of related parties and related party transactions:
a) Company having substantial interest:

HCL Corporation Private Limited

b) Others (Enterprises over which, individual having indirect significant influence over the Group, has significant influence) and with whom transactions have taken place during the year and/or where balances exist:

HCL Technologies Limited

HCL Comnet Limited

HCL Training & Staffing Services Private Limited

Notes to Consolidated Financial Statements

HCL Talent Care Private Limited

Shiv Nadar Foundation

VAMA Sundari Investments (Delhi) Private Limited

Naksha Enterprises Private Limited

c) Key Management Personnel:

Mr. Rangarajan Raghavan (Managing Director, till 31.03.2020)

Mr. Kapil Kapur (CFO)

Mr. Sushil Jain (Company Secretary)

Note: Parties with whom transactions are more than 10% of the total value have been disclosed separately.

d) Summary of consolidated related party disclosures:

Note: All transactions with related parties have been entered into in the normal course of business.

₹/Crores

| A. Transactions | Company having substantial interest* | | Others | | Key Management Personnel | | Total | |
|--|--------------------------------------|--------|---------------|--------|--------------------------|--------|---------------|--------|
| | Mar-20 | Mar-19 | Mar-20 | Mar-19 | Mar-20 | Mar-19 | Mar-20 | Mar-19 |
| Sales and related income | 0.03 | 0.12 | 191.89 | 206.60 | - | - | 191.92 | 206.73 |
| - HCL Corporation Limited | 0.03 | 0.12 | - | - | - | - | - | - |
| - HCL Technologies Limited | - | - | 182.20 | 198.78 | - | - | - | - |
| - HCL Comnet Limited | - | - | 7.91 | 2.56 | - | - | - | - |
| - Shiv Nadar Foundation | - | - | 0.62 | 1.63 | - | - | - | - |
| Services | - | - | - | 0.17 | - | - | - | 0.17 |
| - HCL Technologies Limited | - | - | - | 0.17 | - | - | - | - |
| Purchase of services | - | - | 6.40 | 5.60 | - | - | 6.40 | 5.60 |
| - HCL Technologies Limited | - | - | 6.40 | 5.21 | - | - | - | - |
| Current borrowings taken (net) | 26.00 | - | - | - | - | - | 26.00 | - |
| - HCL Corporation Limited | 26.00 | - | - | - | - | - | - | - |
| Current borrowings paid (net) | - | 20.00 | - | - | - | - | - | 20.00 |
| - HCL Corporation Limited | - | 20.00 | - | - | - | - | - | - |
| Interest on loans and advance taken (net) | 1.80 | 2.94 | - | - | - | - | 1.80 | 2.94 |
| - HCL Corporation Limited | 1.80 | 2.94 | - | - | - | - | - | - |
| Purchase of goods | - | - | 0.14 | - | - | - | 0.14 | - |
| - HCL Technologies Limited - BPO Services | - | - | - | - | - | - | - | - |
| - HCL Software Products Ltd. | - | - | 0.14 | - | - | - | - | - |
| Rent received | - | - | 3.38 | 2.61 | - | - | 3.38 | 2.61 |
| - HCL Technologies Limited | - | - | 2.08 | 1.98 | - | - | - | - |
| - HCL Training & Staffing Services Pvt. Ltd. | - | - | 1.00 | - | - | - | - | - |
| - HCL Comnet Limited | - | - | 0.30 | 0.63 | - | - | - | - |

Notes to Consolidated Financial Statements

₹/Crores

| A. Transactions | Company having substantial interest* | | Others | | Key Management Personnel | | Total | |
|--|--------------------------------------|--------|--------------|--------|--------------------------|--------|--------------|--------|
| | Mar-20 | Mar-19 | Mar-20 | Mar-19 | Mar-20 | Mar-19 | Mar-20 | Mar-19 |
| Remuneration | - | - | - | - | 3.42 | 3.69 | 3.42 | 3.69 |
| - Mr. Rangarajan Raghavan | - | - | - | - | 1.48 | 1.51 | - | - |
| - Mr. Kapil Kapur | - | - | - | - | 1.34 | 1.60 | - | - |
| - Mr. Sushil Jain | - | - | - | - | 0.60 | 0.59 | - | - |
| Reimbursements towards expenditure made | 0.78 | 1.42 | - | - | - | - | 0.78 | 1.42 |
| - HCL Corporation Private Limited | 0.78 | 1.42 | - | - | - | - | - | - |
| B. Amount due to/from related parties at year end | | | | | | | | |
| Trade receivables | 0.98 | 0.01 | 40.00 | 43.79 | - | - | 40.98 | 43.80 |
| Other Recoverable | 0.07 | 0.07 | - | - | - | - | 0.07 | 0.07 |
| Loans and advances | 26.00 | - | - | - | - | - | 26.00 | - |
| Trade payables | 0.25 | 0.03 | 4.76 | 4.28 | - | - | 5.01 | 4.32 |
| Other payables | - | 4.36 | - | - | - | - | - | 4.36 |

*Corporate guarantee utilised ₹ 224 crores (2019 - ₹ 283.47 crores), also refer note 46.

^Amount due to / from related parties are unsecured and are receivable / payable in cash

₹/Crores

| e) Compensation of key management personnel of the Company * | Year ended 31.03.2020 | Year ended 31.03.2019 |
|--|-----------------------|-----------------------|
| Short-term employee benefits | 3.42 | 3.69 |
| Total compensation paid to key management personnel | 3.42 | 3.69 |

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

*Post employment benefit comprising gratuity, and compensated absences are not disclosed as these are determined for the Group as a whole.

33 Financial Instruments

The carrying value of financial instruments by categories are as under as at 31.03.2020:

₹/Crores

| Particulars | Notes | Fair Value through OCI | Fair value through Profit or Loss | Amortised Cost | Total Carrying Value | Total Fair Value |
|-----------------------------|-------|------------------------|-----------------------------------|----------------|----------------------|------------------|
| Financial assets | | | | | | |
| Non-current assets | | | | | | |
| (i) Others Financial Assets | 4 | - | - | 37.39 | 37.39 | 37.39 |
| | | - | - | (74.71) | (74.71) | (74.71) |
| | | - | - | 37.39 | 37.39 | 37.39 |
| | | - | - | (74.71) | (74.71) | (74.71) |

Notes to Consolidated Financial Statements

| ₹/Crores | | | | | | |
|---|--------|------------------------|-----------------------------------|----------------|----------------------|------------------|
| Particulars | Notes | Fair Value through OCI | Fair value through Profit or Loss | Amortised Cost | Total Carrying Value | Total Fair Value |
| Current assets | | | | | | |
| (i) Trade receivables | 9 | - | - | 193.94 | 193.94 | 193.94 |
| | | - | - | (569.44) | (569.44) | (569.44) |
| (ii) Cash and cash equivalents | 10 | - | - | 55.26 | 55.26 | 55.26 |
| | | - | - | (90.42) | (90.42) | (90.42) |
| (iii) Bank balances other than (ii) above | 11 | - | - | 23.10 | 23.10 | 23.10 |
| | | - | - | (149.20) | (149.20) | (149.20) |
| (iv) Others | 12 | - | - | 60.73 | 60.73 | 60.73 |
| | | - | - | (108.38) | (108.38) | (108.38) |
| | | - | - | 333.03 | 333.03 | 333.03 |
| | | - | - | (917.44) | (917.44) | (917.44) |
| Financial Liabilities | | | | | | |
| Non-current liabilities | | | | | | |
| (i) Borrowings | 15(i) | - | - | 22.75 | 22.75 | 22.75 |
| | | - | - | (99.08) | (99.08) | (99.08) |
| (ii) Lease obligation | 15(ii) | - | - | 1.61 | 1.61 | 1.61 |
| | | - | - | - | - | - |
| | | - | - | 24.36 | 24.36 | 24.36 |
| | | - | - | (99.08) | (99.08) | (99.08) |
| Current liabilities | | | | | | |
| (i) Borrowings | 17 | - | - | 436.38 | 436.38 | 436.38 |
| | | - | - | (498.40) | (498.40) | (498.40) |
| (ii) Trade payables | 18 | - | - | 347.29 | 347.29 | 347.29 |
| | | - | - | (679.48) | (679.48) | (679.48) |
| (iii) Other financial liabilities | 19 | - | - | 73.91 | 73.91 | 73.91 |
| | | - | - | (335.04) | (335.04) | (335.04) |
| | | - | - | 857.58 | 857.58 | 857.58 |
| | | - | - | (1,512.92) | (1,512.92) | (1,512.92) |

Note: Previous year figures are given in brackets.

34 Financial Risk Management

The Group activities expose it to market risk, liquidity risk and credit risk. The Group financial risk management is an integral part of how to plan and execute its business strategies.

In order to minimize any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts are entered to hedge certain foreign currency exposures. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.

This note explains the sources of risk which the entity is exposed to and how the entity manages the risk.

Notes to Consolidated Financial Statements

| Risk | Exposure arising from | Measurement | Management |
|--------------------------------|---|---|---|
| Credit Risk | Investments Trade receivables Cash and cash equivalents Bank balances Loans Other financial assets" | Aging analysis and credit appraisal | Diversification of bank deposits, investments, credit limits and letters of credit |
| Liquidity risk | Borrowings, trade payable and other financial liabilities | Rolling cash flow forecasts | Availability of committed credit lines, borrowing facilities and liquid investments |
| Market risk - foreign exchange | Future commercial transactions Recognized financial assets not denominated in Functional currency | Position of net foreign exchange risk, based on relative assets and liabilities | Forward foreign exchange contracts |
| Market risk - interest rate | Borrowings at variable rates | Sensitivity analysis | Replacement of high cost debt with low cost debt |

The Group's risk management is carried out by the treasury and credit control department under policies approved by the senior management and Board of directors.

Credit Risk

Credit risk arise from possibility that customer may default on its obligation to make timely payments, resulting into financial loss. The maximum exposure to the credit risk is primarily from trade receivable, lease rent recoverable and unbilled revenues.

Credit risk on cash and cash equivalent and bank balances is not significant as it majorly includes deposits with bank and financial institutions with high credit ratings assigned by international and domestic credit rating agencies.

Investment primarily includes investment in mutual funds.

The credit risk is managed by the Group through credit approvals, establishing the financial reliability of the customers taking into account the financial condition, analysis of historical bad debts and ageing of accounts receivables. Individual limits are set accordingly by the Group credit control department.

The Group uses a provision matrix to compute the expected credit loss for trade receivable and lease rent recoverable, the provision matrix takes into consideration historical credit loss experience and other relevant available external and internal credit risk factors.

Agewise breakup of trade receivables and contract assets are given below:

| | ₹/Crores | |
|----------------------------|---------------------|---------------------|
| | As at 31.03.2020 | As at 31.03.2019 |
| Debtors billed but not due | 292.81 | 632.83 |
| 0-90 days past due | 80.69 | 144.80 |
| 91-180 days past due | 14.62 | 31.36 |
| 180-365 days past due | 39.59 | 19.18 |
| 1-2 years past due | 15.65 | 20.73 |
| More than 2 years past due | 249.87 | 231.97 |
| | 693.23 | 1,080.87 |

*Includes contract assets amounting to ₹ 245.17 crores (2019 - ₹ 293.80 crores)

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group categorises a trade receivable for write off when a debtor fails to make contractual payments greater than 3 years past due. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in statement of profit and loss.

Notes to Consolidated Financial Statements

The summary of life time expected credit loss allowance made on customer balances during the year and balance at the year end is given below:

| | ₹/Crores | |
|---------------------------------|---------------------|---------------------|
| | As at 31.03.2020 | As at 31.03.2019 |
| Balance at the beginning | 217.63 | 180.01 |
| Provided during the year | 109.72 | 43.53 |
| Reversal during the year | (8.10) | - |
| Amounts written off | (2.03) | (5.91) |
| Balance at the end | 317.22 | 217.63 |

Liquidity risk:

Liquidity risk is the risk that the Group will not be able to settle or meet its obligations on time or at a reasonable price. The Group's treasury department is responsible for liquidity, funding as well as settlement management. In addition, processes and policies related to such risks are overseen by senior management. Management monitors the Group's net liquidity position through rolling forecasts on the basis of expected cash flows.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments as at 31.03.2020.

| | ₹/Crores | | | | |
|------------------------------------|---------------------------|-------------------------|---------------------------|-------------------------|--------------|
| Particulars | Carrying Value | On demand | Less than 1 year | 1 to 2 Years | 2 to 5 Years |
| Non-derivatives | | | | | |
| Borrowings | | | | | |
| -From banks | 362.62 (583.50) | - | 362.62 (583.50) | - | - |
| -From others | 115.22 (295.22) | - | 92.47 (196.04) | 22.75 (99.18) | - |
| -Cash credit | 27.07 (19.71) | 27.07 (19.71) | - | - | - |
| Lease obligation | 1.61 (0.37) | - | - | 1.61 | - |
| Trade payables | 347.29 (679.48) | - | 347.29 (679.48) | - | - |
| Other financial liabilities | | | | | |
| -Deposits | 5.95 (5.66) | - | 5.95 (-5.66) | - | - |
| -Interest accrued but not due | 2.68 (6.28) | - | 2.68 (-6.28) | - | - |
| -Capital creditors | 0.22 (0.23) | - | 0.22 (0.23) | - | - |
| -Employee benefit payable | 18.81 (20.97) | - | 18.81 (20.97) | - | - |
| -Unpaid dividends/deposits | 0.47 (0.59) | 0.47 (0.59) | - | - | - |

Notes to Consolidated Financial Statements

| Particulars | ₹/Crores | | | | |
|---|----------------|--------------|------------------|--------------|--------------|
| | Carrying Value | On demand | Less than 1 year | 1 to 2 Years | 2 to 5 Years |
| -Others | - | - | - | - | - |
| | (0.00) | (0.00) | - | - | - |
| Total non-derivative liabilities | 881.94 | 27.54 | 830.04 | 24.36 | - |
| | (1,612.01) | (20.30) | (1,492.53) | (99.18) | - |

Note: Previous year figures are given in brackets.

Market risk

(i) Interest rate risk

The Group's main interest rate risk primarily arises from borrowings with variable interest rates, which exposed the Group to Cash flow interest rate risk. As at 31.03.2020 the Group has ₹ 27.07 crores (31.03.2019- ₹ 164.21 crores) of borrowings with variable interest rates. In order to optimize the Group's position with regards to interest expenses and to manage the interest rate risk, treasury performs a comprehensive corporate interest rate risk management by balancing of fixed rate and floating rate financial instruments in its total portfolio.

(a) Interest rate risk exposure

The exposure of the Group's borrowing to interest rate changes at the end of the reporting period are as follows:

| | ₹/Crores | |
|--------------------------|------------------|------------------|
| | As at 31.03.2020 | As at 31.03.2019 |
| Variable rate borrowings | 27.07 | 164.21 |
| Fixed rate borrowings | 477.84 | 734.58 |
| Total borrowings | 504.91 | 898.79 |

As at the end of the reporting period, the Group had the following variable rate borrowings:

| | As at 31.03.2020 | | | As at 31.03.2019 | | |
|--|--------------------------------|---------|------------------|--------------------------------|---------|------------------|
| | Weighted average interest rate | Balance | % of total loans | Weighted average interest rate | Balance | % of total loans |
| Bank loans, Cash credits | 10.40% | 27.07 | 5.36% | 10.32% | 164.21 | 18.27% |
| Net exposure to cash flow interest rate risk | | 27.07 | | | 164.21 | |

(b) Sensitivity

Profit or loss is sensitive to higher / lower interest expense from borrowings as a result of changes in interest rates.

| | ₹/Crores | | | |
|--|--------------------------|-----------------------|--------------------------------------|-----------------------|
| | Impact on loss after tax | | Impact on other components of equity | |
| | Year ended 31.03.2020 | Year ended 31.03.2019 | Year ended 31.03.2020 | Year ended 31.03.2019 |
| Interest rates-increase by 10 basis points | (0.02) | (0.11) | (0.02) | (0.11) |
| Interest rates-decrease by 10 basis points | 0.02 | 0.11 | 0.02 | 0.11 |

Notes to Consolidated Financial Statements

(ii) Foreign currency risk

The Group's operations are primarily in India and in INR and therefore, is not exposed to significant foreign currency risk. The Group evaluates the exchange rate exposure arising from foreign currency transactions and follows established risk management policies which are approved by the senior management and the Finance Committee, including the use of derivatives like foreign exchange forward contracts to hedge exposure to foreign currency risk.

Foreign currency risk exposure

The Company's exposure to foreign currency risk at the end of the reporting period expressed in INR are as follows

| | ₹/Crores | | | | | | | |
|--|----------|--------|--------|--------|--------|--------|--------|--------|
| | USD | EUR | GBP | SEK | AED | SGD | CHF | QAR |
| Financial Assets | | | | | | | | |
| Trade receivables | 14.51 | - | - | - | - | - | - | - |
| | (28.82) | - | - | - | (0.62) | (2.67) | - | - |
| Cash and cash equivalents | | | | | | | | |
| | - | - | - | - | - | - | - | - |
| | (2.25) | - | - | - | (0.00) | (0.18) | - | (0.00) |
| Net exposure to foreign currency risk (assets) | | | | | | | | |
| | 14.51 | - | - | - | - | - | - | - |
| | (31.07) | - | - | - | (0.62) | (2.85) | - | (0.00) |
| Financial Liabilities | | | | | | | | |
| Trade Payables | 23.88 | 0.03 | 0.01 | 0.01 | - | - | - | - |
| | (63.79) | (0.03) | (0.01) | (0.01) | (0.00) | (0.00) | (0.03) | (0.00) |
| Derivative liabilities | | | | | | | | |
| Foreign exchange forward contracts | (7.53) | - | - | - | - | - | - | - |
| | (32.07) | - | - | - | - | - | - | - |
| Net exposure to foreign currency risk (liabilities) | | | | | | | | |
| | 16.35 | 0.03 | 0.01 | 0.01 | - | - | - | - |
| | (31.72) | (0.03) | (0.01) | (0.01) | (0.00) | (0.00) | 0.03 | (0.00) |

Note: Previous year figures are given in brackets.

35 Capital Management

Risk management

The Group's objective when managing capital are to safeguard their ability to continue as going concern and to maintain an optimal capital structure to reduce the cost of capital.

The Capital structure as of 31.03.2020 and 31.03.2019 were as follows:

| | ₹/Crores | |
|----------------------|---------------------|---------------------|
| | As at 31.03.2020 | As at 31.03.2019 |
| Total Debt | 504.91 | 898.79 |
| Equity | (42.14) | 104.15 |
| Capital and net debt | 462.77 | 1,002.94 |
| Gearing ratio | 109.11% | 89.62% |

The Group is not subject to any externally imposed capital requirements for the year ended 31.03.2020 and 31.03.2019.

Notes to Consolidated Financial Statements

37 Segment Reporting

The Company's chief operating decision maker, considering the products' portfolio and geographies of operations, has identified following as primary business segments :

- (i) Hardware Products & Solution business comprise of sale of IT products and solutions to enterprise and government customers.
- (ii) The Services business provides IT infrastructure managed services, multi vendor technical support, application management, business services activities and support services.
- (iii) Learning business includes rendering training services, sale of educational digital content and related Hardware offerings for private schools, colleges and other education institutes and vocational training.
- (iv) The distribution segment consist of distribution of (a) Consumer Products including telecommunication, digital lifestyle products and consumer electronic & home appliances (b) Enterprise products including IT products, Enterprise software and Office Automation products.

Consolidated segment wise performance for the year ended 31.03.2020

| | | | | | | ₹/Crores |
|--|---------------------------------|----------|--------------|----------|---------------------------|-----------|
| (b) Primary segments | Hardware products and solutions | Services | Distribution | Learning | Inter-segment elimination | Total |
| (i) Revenue | | | | | | |
| External revenue | 154.31 | 264.15 | 1655.95 | 5.37 | | 2079.78 |
| | (134.38) | (539.78) | (3707.53) | (10.45) | | (4392.14) |
| Inter-segment revenue | (0.49) | - | - | - | 0.49 | |
| | - | (0.26) | (14.68) | - | (-14.94) | |
| Total gross revenue | 153.82 | 264.15 | 1655.95 | 5.37 | 0.49 | (2079.29) |
| | (134.50) | (540.04) | (3722.21) | (10.45) | (-14.94) | (4392.14) |
| (ii) Results | (79.52) | 0.11 | (60.23) | 6.70 | | (132.94) |
| | (-73.02) | (42.56) | (13.45) | (10.62) | | (-6.39) |
| Other un-allocable expenditure net off un-allocable (income) | | | | | | (150.78) |
| | | | | | | (-3.89) |
| Operating profit | | | | | | 17.84 |
| | | | | | | (-2.50) |
| Less: Finance charges | | | | | | 90.62 |
| | | | | | | (124.31) |
| Profit/(loss) before exceptional and extraordinary items and tax | | | | | | (72.78) |
| | | | | | | (-126.81) |
| Profit/(loss) before tax | | | | | | (72.78) |
| | | | | | | (-126.81) |
| Less: Tax expense | | | | | | (63.55) |
| | | | | | | (-8.39) |
| Profit after tax | | | | | | (136.33) |
| | | | | | | (-135.20) |

Notes to Consolidated Financial Statements

| | | | | | | ₹/Crores |
|--|---------------------------------|-------------|---------------|-------------|---------------------------|-----------------|
| (b) Primary segments | Hardware products and solutions | Services | Distribution | Learning | Inter-segment elimination | Total |
| (iii) Segment assets as at | | | | | | |
| -March 31, 2020 | 364.62 | - | 379.28 | 2.35 | | 746.25 |
| -March 31, 2019 | (581.65) | (236.91) | (694.70) | (3.05) | | (1516.31) |
| Unallocated corporate assets | | | | | | |
| -March 31, 2020 | | | | | | 300.70 |
| -March 31, 2019 | | | | | | (481.04) |
| Total assets as at | | | | | | |
| -March 31, 2020 | | | | | | 1046.95 |
| -March 31, 2019 | | | | | | (1997.35) |
| (iv) Segment liabilities as at | | | | | | |
| -March 31, 2020 | 306.19 | | 209.30 | 4.49 | | 519.98 |
| -March 31, 2019 | (383.02) | (79.58) | (503.34) | (6.15) | | (972.09) |
| Unallocated corporate liabilities as at | | | | | | |
| -March 31, 2020 | | | | | | 569.13 |
| -March 31, 2019 | | | | | | (921.11) |
| Total liabilities as at | | | | | | |
| -March 31, 2020 | | | | | | 1,089.11 |
| -March 31, 2019 | | | | | | (1893.20) |
| (v) Capital expenditure (allocable) | | | | | | |
| | | 0.60 | 0.31 | | | 0.91 |
| | | (11.80) | (0.33) | | | (12.14) |
| Capital expenditure (unallocable) | | | | | | |
| | | | | | | 0.21 |
| | | | | | | (0.06) |
| (vi) Depreciation | | | | | | |
| | 2.00 | 9.24 | 0.40 | 0.02 | | 11.66 |
| | (4.62) | (9.45) | (0.65) | (0.10) | | (14.82) |
| Depreciation (unallocable) | | | | | | |
| | | | | | | 6.48 |
| | | | | | | (7.12) |
| (vii) Other non cash expenses (allocable) | | | | | | |
| | 106.61 | - | 4.20 | 0.12 | | (110.93) |
| | (60.05) | (411.28) | (5.22) | (31.43) | | (507.97) |

Note: Previous year figures are given in brackets.

Segment disclosure presented above pertains to continuing and discontinued operations.

There are no transactions with a single external customer that amount to 10 percent or more of the group's revenue.

The Company is domiciled in India. The amounts of its revenue from external customers attributed the entity's country of domicile and to all foreign countries is shown in the table below:

| | | | ₹/Crores |
|---|--------------------------|--------------------------|----------|
| Revenue from external customers (continuing operations) | Year ended 31.03.2020 | Year ended 31.03.2019 | |
| India | 1,808.26 | 3,809.05 | |
| Other countries | 6.91 | 65.58 | |
| Total | 1,815.17 | 3,874.63 | |

Notes to Consolidated Financial Statements

The total of non-current assets other than financial instruments, investments accounted for using equity method and deferred tax assets, broken down by location of the assets, is shown below:

| Non current assets | ₹/Crores | |
|-----------------------------------|---------------------|---------------------|
| | As at 31.03.2020 | As at 31.03.2019 |
| India | 378.37 | 383.23 |
| Other countries | 0.62 | 64.63 |
| Total non - current assets | 378.99 | 447.86 |

37 Taxation:

- (a) Provision for taxation has been computed by applying the Income Tax Act, 1961 and other relevant tax regulations in the jurisdiction where the Group conducts the business to the profit for the period. 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 tax assets and deferred tax liabilities relates to the same taxable entity and the same taxation authority.

- (b) Deferred Tax:

Major components of Deferred tax arising on account of timing difference along with their movement as at 31.03.2020 are as follows:

| | ₹/Crores | | |
|---|---------------------|--------------------------------|---------------------|
| | As at 31.03.2019 | Movement during the year | As at 31.03.2020 |
| Deferred Tax Assets | | | |
| Unrealised gain on Indexation of land | 5.72 | (4.94) | 0.78 |
| Provision for Doubtful Debts/Advances/Other Current Assets | 8.66 | - | 8.66 |
| Tax Losses | 45.19 | (45.19) | - |
| Impact of expenditure charged to statement of profit and loss but allowable for tax purpose in future years | 1.73 | (1.73) | - |
| Minimum Alternate Tax (MAT) | 13.16 | (13.16) | - |
| Total (A) | 74.46 | (65.02) | 9.44 |
| Deferred Tax Liabilities | | | |
| Difference between WDV of fixed assets as per books and under Income tax Act, 1961 | (8.27) | - | (8.27) |
| Duties, Taxes & Cess allowed for tax purpose on payment basis. | (1.17) | - | (1.17) |
| Total (B) | (9.44) | - | (9.44) |
| Net Deferred Tax Assets (A-B) | 65.02 | (65.02) | - |

* The Company has recognized deferred tax assets to the extent deferred tax liabilities available. Further, during the year deferred tax assets amounting to ₹ 65.02 crores has been written off due to lack of reasonable certainty of future taxable profits against which deferred tax assets can be utilized.

Notes to Consolidated Financial Statements

Deferred tax pertains to different tax jurisdictions

| | ₹/Crores | | | |
|---|-----------------------|--------------------------------|---------------|---------------------|
| | "As at 31.03.2019" | Movement during the year | Disposal# | As at 31.03.2020 |
| Deferred tax liabilities (net) | | | | |
| a) Deferred tax liability due to | | | | |
| Undistributed earnings of the overseas subsidiaries | 2.93 | (2.93) | - | - |
| Difference between WDV of fixed assets as per books and under tax law | 2.51 | | (2.51) | - |
| Net deferred tax liabilities | 5.44 | (2.93) | (2.51) | - |

(c) **Income tax expense (Continuing operations)**

This note provides an analysis of the Group's income tax expense, and how the tax expense is affected by non-assessable and non-deductible items.

| | ₹/Crores | |
|---|--------------------------|--------------------------|
| | Year ended 31.03.2020 | Year ended 31.03.2019 |
| Income tax expense | | |
| Current tax on profits for the year" | 0.08 | 0.11 |
| Adjustments for current tax of prior periods" | - | - |
| Total current tax expense | 0.08 | 0.11 |
| Deferred tax | | |
| Decrease (increase) in MAT Credit | 13.16 | - |
| Decrease/(increase) in deferred tax assets | 51.85 | - |
| (Decrease)/increase in deferred tax liabilities | (2.92) | 2.92 |
| Total deferred tax expense/(benefit) | 62.09 | 2.92 |
| Income tax expense | 62.17 | 3.03 |

Notes to Consolidated Financial Statements

(ii) Reconciliation of tax expense and the accounting profit multiplied by India's tax rate:

| | ₹/Crores | |
|---|----------------|------------|
| | 31.03.2020 | 31.03.2019 |
| Profit before income tax expense after other comprehensive income | (223.47) | (166.61) |
| Tax at the Indian tax rate of 31.20% (2019 – 31.20%) | (69.72) | (51.98) |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | 24.95 | |
| Expenditure related to exempt income | - | 0.22 |
| Dividend Income | - | (0.51) |
| Other items | - | (2.93) |
| Tax rate difference | - | (4.94) |
| Tax losses for which deferred tax assets was not recognised | 106.95 | 63.17 |
| Income tax expense | 62.17 | 3.03 |
| Unused tax losses for which no deferred tax assets has been recognised | 947.52 | 1,098.62 |
| Potential tax benefit @ 31.20% (2019 – 31.20%) | 295.63 | 342.77 |

The unused tax losses and depreciation that are not likely to be utilised due to lack of reasonable certainty of future taxable income. The losses can be carried forward as per details below:

| | ₹/Crores | |
|--------------|---------------|------------|
| | 31.03.2020 | 31.03.2019 |
| 31.03.2021 | 5.30 | 11.24 |
| 31.03.2022 | 117.42 | 119.07 |
| 31.03.2023 | 126.39 | 126.38 |
| 31.03.2024 | 129.47 | 129.47 |
| 31.03.2025 | 61.63 | 155.70 |
| 31.03.2026 | 109.66 | 158.78 |
| 31.03.2027 | 154.99 | 271.85 |
| 31.03.2028 | 122.87 | - |
| No limit | 119.79 | 126.13 |
| Total | 947.52 | 1,098.62 |

38 Leases:
a) Finance Leases:
As Lessor:

- (i) The Group has given on finance lease certain assets/inventories which comprise of computers, radio terminals and office equipments, etc. These leases have a primary period, which is fixed and non-cancelable. There are no exceptional/restrictive covenants in the lease agreements.

Notes to Consolidated Financial Statements

- (ii) The gross investment in the assets given on finance leases as at 31.03.2020 and its present value as at that date are as follows:

| | ₹/Crores | | |
|--|--------------------------------|---|---|
| | Total minimum lease receivable | Interest included in minimum lease receivable | Present value of minimum lease receivable |
| Not later than one year | | | |
| 31.03.2020 | 3.93 | 1.13 | 2.80 |
| 31.03.2019 | (7.26) | (1.40) | (5.86) |
| Later than one year and not later than five years | | | |
| 31.03.2020 | - | - | - |
| 31.03.2019 | (0.00) | (0.00) | (0.00) |
| Total | | | |
| 31.03.2020 | 3.93 | 1.13 | 2.80 |
| 31.03.2019 | (7.26) | (1.40) | (5.86) |

Note: Previous year figures are given in brackets.

b) Sale and Leaseback and further sub-lease on finance lease basis

- (i) The Group has entered into transaction of sale and leaseback on finance lease basis and further sub-lease on finance lease basis for certain assets/inventories which comprise of computer systems and other related products. These leases have a primary period, which is fixed and non-cancelable. There are no exceptional/restrictive covenants in these lease agreements.
- (ii) Details of minimum lease payments and minimum sub-lease receivables as at 31.03.2020 and its present value as at that date are as follows:

| | Payable on sale and leaseback | | | Receivable on sub-lease | | |
|--|-------------------------------|--|--|--------------------------------|---|---|
| | Total minimum lease payable | Interest included in minimum lease payable | Present value of minimum lease payable | Total minimum lease receivable | Interest included in minimum lease receivable | Present value of minimum lease receivable |
| Not later than one year | | | | | | |
| 31.03.2020 | - | - | - | - | - | - |
| 31.03.2019 | (0.38) | (0.01) | (0.37) | (0.00) | (0.00) | (0.00) |
| Later than one year and not later than five years | | | | | | |
| 31.03.2020 | - | - | - | - | - | - |
| 31.03.2019 | (0.00) | (0.00) | (0.00) | (0.00) | (0.00) | (0.00) |
| Total | | | | | | |
| 31.03.2020 | - | - | - | - | - | - |
| 31.03.2019 | (0.38) | (0.01) | (0.37) | (0.00) | (0.00) | (0.00) |

Note: Previous year figures are given in brackets.

Notes to Consolidated Financial Statements

c) Cancelable Operating Leases

| As Lessor: | | ₹/Crores | | | |
|---|-------------------|--------------|--------------------------|--------------|----------------------|
| Particulars | As at | Gross Block | Accumulated Depreciation | Net Block | Depreciation Expense |
| Freehold land | 31.03.2020 | 1.87 | - | 1.87 | - |
| | 31.03.2019 | (1.01) | - | (1.01) | - |
| Building | 31.03.2020 | 13.47 | 1.19 | 12.28 | 0.23 |
| | 31.03.2019 | (2.30) | (0.17) | (2.13) | (0.04) |
| Plant and machinery* | 31.03.2020 | 2.16 | 1.71 | 0.45 | 0.85 |
| | 31.03.2019 | (11.00) | (10.52) | (0.48) | (2.80) |
| Furniture and fixtures and office equipments | 31.03.2020 | 5.22 | 2.82 | 2.40 | 0.53 |
| | 31.03.2019 | (0.00) | (0.00) | (0.00) | (0.00) |
| Computers | 31.03.2020 | 0.16 | 0.16 | 0.00 | - |
| | 31.03.2019 | (0.00) | (0.00) | (0.00) | (0.00) |
| TOTAL | 31.03.2020 | 22.88 | 5.88 | 17.00 | 1.61 |
| | 31.03.2019 | (14.31) | (10.69) | (3.62) | (2.84) |

Note: Previous year figures are given in brackets.

d) As Lessee:

The Group has taken godown premises under lease. These are generally not non-cancellable leases having unexpired period upto three years. The leases are renewable by mutual consent and on mutually agreeable terms. The Company has given refundable interest free security deposits under certain lease agreements. There is no contingent rent, sublease payments or restriction imposed in the lease agreement. In terms of criteria specified in erstwhile standard on leases i.e. Ind AS 17 Leases, these leases had been classified as operating lease and yearly lease payments under these leases were expensed off as rent expenses till last year (refer note 29). Consequent to the replacement of this standard with Ind AS 116 Leases now for some of these leases (i.e. leases other than with short term period or low value assets), present value of all future lease payments has been recognised as right-of-use assets (Building) and lease liabilities with the charge for depreciation on right-of-use assets (Building) and interest on lease liabilities in the statement of profit and loss during the current year (refer note 3 & 28) and for other leases, yearly lease payments continued to be expensed off on straight line basis over lease term as rent expenses (refer note 29).

Payments recognised as expense

| | ₹/Crores | |
|---|-----------------------|-----------------------|
| | Year ended 31.03.2020 | Year ended 31.03.2019 |
| Depreciation expense - right-of-use assets (refer note 3) | 2.04 | - |
| Interest on lease liabilities (refer note 28) | 0.25 | - |
| Rent expense - short term leases (refer note 29) | 7.85 | 12.11 |

Total cash outflow for leases during the year ended 31 March 2020 is ₹ 1.77 crores (31 March 2019: Nil).

Notes to Consolidated Financial Statements

39 Earnings per share (EPS)

Basic earnings per share is calculated by dividing the net profit/ (loss) for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The profit/ (loss) considered in ascertaining the Group's EPS represent loss for the year after tax. Diluted EPS is computed and disclosed using the weighted average number of equity and dilutive equivalent shares outstanding during the year except when results would be anti-dilutive.

| Particulars | ₹/Crores | |
|---|--------------------------|--------------------------|
| | Year ended 31.03.2020 | Year ended 31.03.2019 |
| Loss after tax from continuing operations attributable to equity shareholders of the Company (₹/Crores) | (289.76) | (147.66) |
| Profit after tax from discontinued operations (₹/Crores) | 153.43 | 12.46 |
| Loss after tax from continuing and discontinued operations (₹/Crores) | | |
| Weighted average number of shares considered as outstanding in computation of Basic EPS | (136.33) | (135.20) |
| Weighted average number of shares considered as outstanding in computation of Basic EPS | 329,209,928 | 329,209,928 |
| Weighted average number of shares outstanding in computation of Diluted EPS | 329,209,928 | 329,209,928 |
| Basic EPS (of ₹ 2/- each) (₹ Per share) | | |
| From continuing operations | (8.80) | (4.49) |
| From discontinued operations | 4.66 | 0.38 |
| From continuing and discontinued operations | (4.14) | (4.11) |
| Diluted EPS per share (of ₹ 2/- each) (₹ Per share) | | |
| From continuing operations | (8.80) | (4.49) |
| From discontinued operations | 4.66 | 0.38 |
| From continuing and discontinued operations | (4.14) | (4.11) |

40 The Group has calculated the various benefits provided to employees as under:

(a) Defined Contribution

During the year, the Group has recognised the following amounts in the statement of profit and loss:

| | ₹/Crores | |
|---|--------------------------|--------------------------|
| | Year ended 31.03.2020 | Year ended 31.03.2019 |
| Employers contribution to superannuation fund* | 0.25 | 0.30 |
| Employers contribution to national pension scheme* | 0.15 | 0.16 |
| Employers contribution to employee state insurance* | 0.23 | 0.36 |
| Employers contribution to employee's pension scheme 1995* | 1.67 | 1.73 |

* Included in Contribution to Provident and Other Funds under Employee benefits expense (refer note 27).

Notes to Consolidated Financial Statements

(b) Defined Benefit

- (i) Gratuity
- (ii) Provident Fund#

The Company contributes to the employee provident fund trust "Hindustan Computers Limited Employees Provident Fund Trust" which is managed by the Company. The Company's Provident Fund Trust is exempted under Section 17 of Employees' Provident Fund Act, 1952. Conditions for grant of exemptions stipulate that the employer shall make good deficiency, if any, in the interest rate declared by the trust vis-à-vis statutory rate. As per Ind AS – 19, Employee Benefits, provident funds set up by employers, which requires interest shortfall to be met by the employer, needs to be treated as defined benefit plan.

The Trust includes employees of the Company as well as of its Indian wholly owned subsidiaries. In view of the same, it is a multi employer defined benefit plan.

The Trust has been investing the Provident fund contributions of the employees of all the Indian wholly owned subsidiaries in a composite manner and the same cannot be separately identified entity wise.

In view of the same an actuarial valuation, in accordance with the Ind AS-19, was carried out at composite level. As per actuarial certificate there is no shortfall in the earning of fund against statutorily required "interest rate guarantee" and accordingly, the "liability on account of interest rate guarantee" is nil.

In accordance with IND AS 19, an actuarial valuation was carried out in the respect of the aforesaid defined benefit plan based on the following assumptions:

| | Gratuity | | Provident Fund | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| | Year ended 31.03.2020 | Year ended 31.03.2019 | Year ended 31.03.2020 | Year ended 31.03.2019 |
| Discount rate (per annum) | 5.66% | 7.30% | Not Applicable | Not Applicable |
| Rate of increase in compensation levels | 5.00% | 5.00% | Not Applicable | Not Applicable |
| Rate of return on plan assets | Not Applicable | Not Applicable | Not Applicable | Not Applicable |
| Expected statutory interest rate | Not Applicable | Not Applicable | 8.50% | 8.65% |
| Expected short fall in interest earnings | Not Applicable | Not Applicable | 0.05% | 0.05% |
| Expected average remaining working lives of employees (years) | 14.00 | 16.15 | 14.00 | 16.15 |

As of 31.03.2020, every 0.5 percentage point increase / decrease in discount rate will affect our gratuity benefit obligation by approximately by ₹ 0.07 crores.

As of 31.03.2020, every 0.5 percentage point increase / decrease in weighted average rate of increase in compensation levels will effect our gratuity benefit obligation by approximately ₹ 0.07 crores.

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

Description of risk exposures:

Valuations are based on certain assumptions, which are dynamic in nature and vary over time. As such company is exposed to various risks as follow -

- A) Salary Increases- Actual salary increases will increase the Plan's liability. Increase in salary increase rate assumption in future valuations will also increase the liability.
- B) Investment Risk – If Plan is funded then assets liabilities mismatch & actual investment return on assets lower than the discount rate assumed at the last valuation date can impact the liability.

Notes to Consolidated Financial Statements

- C) Discount Rate : Reduction in discount rate in subsequent valuations can increase the plan's liability.
- D) Mortality & disability – Actual deaths & disability cases proving lower or higher than assumed in the valuation can impact the liabilities.
- E) Withdrawals – Actual withdrawals proving higher or lower than assumed withdrawals and change of withdrawal rates at subsequent valuations can impact Plan's liability

₹/Crores

| | 2020 | | 2019 | |
|---|--------------|----------------|--------------|----------------|
| | Gratuity | Provident Fund | Gratuity | Provident Fund |
| Reconciliation of opening and closing balances of the present value of the defined benefit obligation: | | | | |
| Present value of obligation at the beginning of the year | 13.31 | 148.80 | 12.75 | 157.89 |
| Current service cost | 0.58 | 1.55 | 0.66 | 2.44 |
| Past service cost | | - | | |
| Interest cost | 0.43 | 10.86 | 0.39 | 10.37 |
| Total amount recognised in profit or loss | 1.01 | 12.41 | 1.06 | 12.82 |
| Actuarial (gain)/loss from change in demographic assumptions | (0.04) | - | (0.01) | |
| Actuarial (gain)/loss from change in financial assumptions | 0.39 | - | 0.07 | 0.00 |
| Experience (Gain)/loss | 0.13 | 2.77 | 1.36 | (0.01) |
| Total amount recognised in other comprehensive income | 0.48 | 2.77 | 1.42 | (0.01) |
| Benefits (paid) | (1.80) | (36.98) | (1.92) | (32.23) |
| Settlements/transfer In | - | 1.31 | - | 3.06 |
| Contribution by plan participants | - | 4.91 | - | 7.27 |
| Present value of obligation at the end of the year | 13.00 | 133.22 | 13.31 | 148.80 |

| | 2020 | 2019 |
|---|----------------|----------------|
| | Provident Fund | Provident Fund |
| Reconciliation of opening and closing fair value of plan assets: | | |
| Fair value of plan assets at the beginning of the year | 169.71 | 174.72 |
| Expected Return on Plan Assets | 13.37 | 14.45 |
| Employer Contribution | 1.55 | 2.44 |
| Settlements/Transfer In | 1.31 | 3.06 |
| Employee Contribution | 4.91 | 7.27 |
| Benefit Paid | (36.98) | (32.23) |
| Difference in Opening | (1.31) | 0.00 |
| Actuarial gain/(loss) on Plan Assets | - | - |
| Fair value of plan assets at the end of the year | 152.56 | 169.71 |

Notes to Consolidated Financial Statements

₹/Crores

| Cost recognised for the year: | 2020 | | 2019 | |
|--|----------|----------------|----------|----------------|
| | Gratuity | Provident Fund | Gratuity | Provident Fund |
| Current service cost | 0.58 | - | 0.66 | - |
| Company contribution to Provident Fund | - | 1.55 | - | 2.44 |
| Past service cost | - | - | - | - |
| Interest cost | 0.43 | - | 0.39 | - |
| Actuarial (gain)/loss | 0.48 | - | 1.42 | - |
| Interest guarantee liability | - | - | - | - |
| Shortfall in fund | - | - | - | - |
| Net cost recognised for the year* | 1.49 | 1.55 | 2.47 | 2.44 |

* Included in salaries, wages, bonus and gratuity for gratuity and contribution to provident and other funds for provident fund under employee benefits expense (refer note 27).

The Group contribution to the provident fund for the year is ₹ 1.59 crores (2019 - ₹ 1.69 crores) and the remaining relates to other related companies as mentioned above.

The major categories of plan assets are as follows:

₹/Crores

| | As at 31.03.2020 | As at 31.03.2019 |
|-------------------------------|------------------|------------------|
| | Unquoted in % | Unquoted in % |
| Central Government Securities | 42.33 | 40.00 |
| State Government Securities | 19.12 | 17.31 |
| Public Sector Bonds | 27.56 | 31.97 |
| Special Deposit Scheme | 10.57 | 9.55 |
| Equity | 0.21 | 0.19 |
| Bank Balance | 0.21 | 0.98 |
| Total | 100.00 | 100.00 |

Reconciliation of the present value of the defined benefit obligation and the fair value of the plan assets:

₹/Crores

| | Gratuity | |
|---|------------|------------|
| | 31.03.2020 | 31.03.2019 |
| Present value of the obligation as at the end of the year | 13.00 | 13.31 |
| Fair value of plan assets at the end of the year | - | - |
| Assets/(Liabilities) recognised in the Balance Sheet | (13.00) | (13.31) |
| Experience adjustment in plan liabilities | - | - |
| Experience adjustment in plan assets | - | - |

Notes to Consolidated Financial Statements

₹/Crores

| | Provident fund | |
|--|----------------|------------|
| | 31.03.2020 | 31.03.2019 |
| Present value of the obligation as at the end of the year | (133.22) | (148.80) |
| Fair value of plan assets at the end of the year | 152.56 | 169.71 |
| Assets/(Liabilities) recognised in the Balance Sheet | ₹** | ₹** |
| Expected Contribution to the provident fund in the next year | 1.40 | 2.80 |

** As there is surplus, same has not been recognised in Balance Sheet.

41 Contracts-in-progress

₹/Crores

| | As at 31.03.2020 | As at 31.03.2019 |
|---|---------------------|---------------------|
| Revenue from composite contracts recognised for the year | 144.89 | 115.21 |
| Aggregate amount of contract costs incurred and recognised profits (less recognised losses) for all contracts in progress upto the year ended | 5,243.75 | 5,098.85 |
| The amount of advances received | 35.45 | 34.96 |
| Gross amount due from customers for contracts-in-progress | 25.25 | 22.53 |
| Gross amount due to customers for contracts-in-progress | 91.32 | 128.58 |

42 Remuneration to Auditor*:

₹/Crores

| | Year ended 31.03.2020 | Year ended 31.03.2019 |
|-------------------------------------|--------------------------|--------------------------|
| Statutory audit | 1.66 | 1.60 |
| Other audit services/certifications | 0.24 | 0.23 |
| Out-of-pocket expenses | 0.19 | 0.18 |
| Total | 2.09 | 2.01 |

* Excluding GST as applicable.

43 Employee Stock Option Plan (ESOP):

The Company had previously granted options to eligible employees under the Employee Stock Option Scheme 2000 and Employee Stock Based Compensation Plan 2005, which were to be vested in a graded manner over a period of 42 and 60 months respectively from the date of grant and are to be exercised within a maximum period of 5 years from the date of vesting. These options have already been exercised/surrendered/ expired in earlier years and there are no option liability as on 31 March 2020 and 31 March 2019.

44 Property, plant and equipment held for sale

In order to reduce Group's debt obligations, the Group has decided to monetize Group owned properties in a phased manner. Several of Group's properties are not being fully utilized due to changes in the business of the group. Pursuant to the Board approval dated 13.05.2019 & 20.05.2019 the Company had sold out of two properties located in Noida and one property located in Pune for ₹ 29.91 crores. (disclosed as assets held for sale ₹ 14.36 crores in 31.03.2019).

In current financial year ended, the Group has made impairment allowance for the property situated in Dubai of ₹ 3.26 crores which has gross carrying value of ₹ 9.94 crores and accumulated depreciation of ₹ 4.03 crores and an amount of ₹ 2.65 crores has been classified as asset held for sale.

Notes to Consolidated Financial Statements

45 Discontinued Operations

Pursuant to the approval by the Board of Directors of the Company in its meeting held on January 31, 2018, the CARE business division was transferred to QDigi Services Limited on March 31, 2018 and subsequently the entire shareholding of QDigi Services Limited was divested to Qess Corp Limited on April 11, 2018. Amount receivables in respect of the transaction is ₹ 1.47 crores (2019 - ₹ 3.10 crores)

Pursuant to the approval by the Board of Directors of the Company in its meeting held on 09.02.2018, the Company divested its investments (both Equity and Optionally Convertible Debentures(OCD)) in HCL Services Limited to Karvy Data Management Services Limited for a consideration of ₹ 112.10 crores (Equity ₹ 17.45 crores and OCD ₹ 94.65 crores, the consideration for OCD is equivalent to the income tax refund and is receivable as and when the tax refund is received by HCL Services Limited). The Company signed a share purchase agreement on 31.05.2018 and the shareholding was divested on 15.06.2018. Amount receivables in respect of the transaction is ₹ 22.23 crores (2019 - ₹ 70.81 crores).

This transaction excludes;

- i) Care Business (divested to Qess Corp Limited)
- ii) IT & Facility unit (transferred to HCL Infosystems Limited)
- iii) Investment in HCL Insys PTE Limited, Singapore including its subsidiaries (transferred to HCL Learning Limited)

Pursuant to the approval by the Board of Directors of the Company in its meeting held on 15.10.2018, the Company transferred the entire shareholding held by Nurture Technologies FZE (formerly known as HCL Infosystems MEA FZE) (Step-down Subsidiary) in its direct subsidiaries Gibraltar Technologies LLC (Dubai), Gibraltar Technologies LLC (Abu Dhabi) and step-down subsidiary Gibraltar Technologies WLL (Qatar) to consortium of individuals viz Mr. Ahmed Khalaf Ahmed Khalaf Al Otaiba, Mr. Syed Mohammed Bukhari, Mr. Khadeer Peer Shariff S S and Mr. Abdul Qadir Bukhari on 27.11.2018 for a consideration of AED 3.4 mn (approximately equivalent ₹ 6.5 crores).

The Board of Directors of HCL Infosystems Limited in its meeting held on August 06, 2019 had approved to sell the entire shareholding held by HCL Learning Limited (a Subsidiary of HCL Infosystems Limited) in HCL Insys Pte Ltd, Singapore (step subsidiary) after the transfer of the trading business and the subsidiary Nurture Technologies FZE to HCL Investments Pte Ltd (subsidiary of HCL Infotech Limited). The sale has been made to PCCW Solutions Ltd for a total consideration of ₹303.35 crores. The transaction was completed on November 15, 2019 and a profit of ₹150.76 crores is recognised on such transaction.

Pursuant to the above developments during the year, the results for the year ended 31.03.2020 and 31.03.2019 attributable to HCL Insys Pte Ltd and HCL Insys Pte Ltd, HCL Services Limited, Gibraltar Technologies LLC (Dubai), Gibraltar Technologies LLC (Abu Dhabi), Gibraltar Technologies WLL (Qatar) respectively are presented as discontinued operations.

The statement of profit and loss of the discontinued operations for the year is presented below:

| | Year ended 31.03.2020 ₹/Crores | Year ended 31.03.2019 ₹/Crores |
|---------------------------------------|-----------------------------------|-----------------------------------|
| Revenue from Operations | 264.12 | 517.51 |
| Other Income | 2.83 | 1.90 |
| Total Income | 266.95 | 519.41 |
| Purchases of stock-in-trade | 0.00 | 0.12 |
| Other direct expense | 140.19 | 261.05 |
| Employee benefit expense | 104.04 | 187.23 |
| Finance costs | 0.19 | 1.27 |
| Depreciation and amortisation expense | 9.33 | 9.86 |
| Other expenses | 9.15 | 25.68 |
| Total expenses | 262.90 | 485.21 |

Notes to Consolidated Financial Statements

| | Year ended 31.03.2020 ₹/Crores | Year ended 31.03.2019 ₹/Crores |
|--|-----------------------------------|-----------------------------------|
| Profit before exceptional items and tax | 4.05 | 34.20 |
| Exceptional items | - | - |
| Profit before tax | 4.05 | 34.20 |
| Income tax expense | | |
| Current tax | 2.06 | 5.40 |
| Deferred tax | (0.68) | - |
| | 1.38 | 5.40 |
| Profit for the year | 2.67 | 28.80 |

Net cash flow attributable to the operating, investing and financing activities of discontinued operations is presented below:

| | ₹/Crores | |
|----------------------|--------------------------|--------------------------|
| | Year ended 31.03.2020 | Year ended 31.03.2019 |
| Operating activities | 44.90 | 8.01 |
| Investing activities | (1.98) | (9.35) |
| Financing activities | (2.22) | - |

- 46** As at March 31, 2020, the Group has accumulated losses and its net worth has been fully eroded, the Group has a net loss during the current and previous year and the Group's current liabilities exceeded its current assets by ₹ 432.35 crores (March 31, 2019: ₹ 385.40 crores) as at the balance sheet date. The losses are primarily as a result of delayed receipts on certain system integration contracts, certain historical low margin contracts, slow-down of distribution businesses and finance costs. The Parent Company's management is pursuing strategies which include scale down of loss-making businesses like scaling down of the distribution business (refer note 47), sale of certain non-core properties and reduction in outstanding debts. To ensure the necessary financial support for its operations, the Board of Directors of HCL Corporation Private Limited has issued a support letter (in the form of corporate guarantee or unsecured loan) to the parent's company to the extent of ₹ 500 crores. Considering the above support, the Parent's management and the Board of Directors have a reasonable expectation that the Group will be able to realise its assets and discharge its contractual obligations and liabilities as they fall due in the near future in the normal course of business. Accordingly, the consolidated financial statements have been prepared on a going concern basis.
- 47** In view of the current financial stress faced by the Enterprise and Consumer Distribution businesses resulting in decline in sales and increase in losses, the Board had appointed a reputed independent consulting firm to review these businesses. Based on the report of the consulting firm and the inputs of the management team, the Board in their meeting dated January 27, 2020 decided that because of low margin contracts, tough market conditions and the current financial position of the Group, the Distribution businesses of the Group were not financially sustainable. Consequently, the Board recommended that in order to limit future financial losses, the Enterprise and Consumer Distribution Business be gradually scaled down over the next few quarters.
- 48** The operations and financial results of the company were marginally impacted due to shut down of company's operations across various locations w.e.f. March 23, 2020 as per the directives of both the Central and State Governments in the wake of COVID-19 pandemic. In evaluating the impact of COVID-19 on its ability to continue as a going concern and the possible impact on its financial position, the management has assessed the impact of macro-economic conditions on its business and the carrying value of its major assets comprising of Property, Plant and Equipment (PPE), trade receivables and other balances recoverable. In this regard, the management has carefully considered the circumstances and risk exposures arising from the COVID-19 situation for developing the estimates on the basis of available information in its assessment of impact thereof on its financial reporting. Based on aforesaid assessment, management believes that the Group will continue as a going concern and will be able to meet all of its obligations as well as recover the carrying amount of its aforesaid assets as on March 31, 2020. Management believes that it has taken into account all the possible impact of known events arising from COVID-19 pandemic in the preparation of these financial statements. The impact assessment of COVID-19 is a continuing process given the uncertainties associated with its nature and duration and actual results

Notes to Consolidated Financial Statements

may differ materially from these estimates. The Group will continue to monitor any material changes to future economic conditions and any significant impact of these changes would be recognized in the financial statements as and when these material changes to economic conditions arise.

49 Additional information to consolidated accounts as at 31.03.2020 (Pursuant to Schedule III of the Companies Act 2013):

₹/Crores

| Name of the Entity | Net Assets i.e., total assets minus total liabilities | | Share in profit or (loss) | | Share in other comprehensive income | | Share in total comprehensive income | |
|--|---|----------------|--|-----------------|--|-------------|--|-----------------|
| | As a % of consolidated net assets | Amount | As a % of consolidated net (profit) / loss | Amount | As a % of consolidated net (profit) / loss | Amount | As a % of consolidated net (profit) / loss | Amount |
| Parent company | | | | | | | | |
| HCL Infosystems Limited | 94.49 | (39.82) | 109.90 | (318.45) | (5.10) | (0.21) | 111.56 | (318.66) |
| Subsidiaries: Indian | | | | | | | | |
| Digilife Distribution and Marketing Services limited | 1.09 | (0.46) | 0.27 | (0.79) | 0.00 | 0.00 | 0.28 | (0.79) |
| HCL Learning Limited | 109.66 | (46.21) | (3.83) | 11.11 | 0.24 | 0.01 | (3.89) | 11.12 |
| HCL Infotech Limited | 1,241.48 | (523.16) | 40.60 | (117.63) | (7.04) | (0.29) | 41.28 | (117.92) |
| Pimpri Chinchwad eServices Limited | 0.09 | (0.04) | 0.00 | (0.00) | 0.00 | 0.00 | 0.00 | (0.00) |
| Subsidiaries: Foreign | | | | | | | | |
| HCL Infosystems MEA FZE, Dubai | 65.45 | (27.58) | 1.71 | (4.95) | (100.97) | (4.16) | 3.19 | (9.11) |
| HCL Insys Pte Limited, Singapore* | 0.00 | 0.00 | (0.29) | 0.84 | 0.00 | 0.00 | (0.29) | 0.84 |
| HCL Investment Pte Limited, Singapore | (184.34) | 77.68 | 0.75 | (2.17) | 222.33 | 9.16 | (2.45) | 6.99 |
| Intra-Group Eliminations | (1,227.93) | 517.45 | (49.10) | 142.26 | (9.47) | (0.39) | (49.67) | 141.87 |
| Total | 100.00 | (42.14) | 100.00 | (289.76) | 100.00 | 4.12 | 100.00 | (285.64) |

Additional information to consolidated accounts as at 31.03.2019 (Pursuant to Schedule III of the Companies Act 2013):

₹/Crores

| Name of the Entity | Net Assets i.e., total assets minus total liabilities | | Share in profit or (loss) | | Share in other comprehensive income | | Share in total comprehensive income | |
|--|---|--------|--|----------|--|--------|--|----------|
| | As a % of consolidated net assets | Amount | As a % of consolidated net (profit) / loss | Amount | As a % of consolidated net (profit) / loss | Amount | As a % of consolidated net (profit) / loss | Amount |
| Parent company | | | | | | | | |
| HCL Infosystems Limited | 267.71 | 278.82 | 118.85 | (206.32) | (24.69) | (0.99) | 122.24 | (207.31) |
| Subsidiaries: Indian | | | | | | | | |
| Digilife Distribution and Marketing Services limited | 0.31 | 0.32 | 0.76 | (1.32) | 0.00 | 0.00 | 0.78 | (1.32) |

Notes to Consolidated Financial Statements

₹/Crores

| Name of the Entity | Net Assets i.e., total assets minus total liabilities | | Share in profit or (loss) | | Share in other comprehensive income | | Share in total comprehensive income | |
|---|---|---------------|--|-----------------|--|-------------|--|-----------------|
| | As a % of consolidated net assets | Amount | As a % of consolidated net (profit) / loss | Amount | As a % of consolidated net (profit) / loss | Amount | As a % of consolidated net (profit) / loss | Amount |
| QDIGI Services Limited (formerly known as HCL Computing Products Limited) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| HCL Services Limited | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| HCL Learning Limited | (55.05) | (57.33) | 7.60 | (13.19) | (0.50) | (0.02) | 7.79 | (13.21) |
| HCL Infotech Limited | (389.07) | (405.22) | 67.67 | (117.47) | (10.22) | (0.41) | 69.51 | (117.88) |
| Pimpri Chinchwad eServices Limited | (0.04) | (0.04) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Subsidiaries: Foreign | | | | | | | | |
| HCL Touch Inc., USA | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| HCL Infosystems MEA FZE, Dubai | (18.19) | (18.95) | 4.51 | (7.83) | (10.47) | (0.42) | 4.86 | (8.25) |
| HCL Infosystems LLC, Dubai | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| HCL Infosystems MEA LLC, Abu Dhabi | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| HCL Infosystems Qatar WLL | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| HCL Insys Pte Limited, Singapore | 152.83 | 159.17 | (2.02) | 3.50 | 125.94 | 5.05 | (5.04) | 8.55 |
| HCL Investment Pte Limited, Singapore | 11.33 | 11.80 | (0.05) | 0.08 | 19.95 | 0.80 | (0.52) | 0.88 |
| Intra-Group Eliminations | 130.18 | 135.58 | (97.32) | 168.95 | 0.00 | 0.00 | (99.62) | 168.95 |
| Total | 100.00 | 104.15 | 100.00 | (173.60) | 100.00 | 4.01 | 100.00 | (169.59) |

50 Previous year's figures have also been regrouped / recasted, wherever necessary, to conform to the current year presentation.

For B S R & Associates LLP

Chartered Accountants

ICAI Registration Number-116231W/W-100024

Sandeep Batra

Partner

Membership Number - 093320

For and on behalf of the Board of Directors of

HCL Infosystems Limited
Pawan Kumar Danwar

Director

DIN - 06847503

Kapil Kapur

Chief Financial Officer

Kaushik Dutta

Director

DIN - 03328890

Sushil Kumar Jain

Company Secretary

New Delhi, June 15, 2020

Noida, June 15, 2020

Statement pursuant to first proviso to sub section (3) of Section 129 of the Companies Act 2013, read with rule 5 of Companies (Accounts) Rules, 2014 in the prescribed FORM AOC-1 relating to Subsidiaries / Joint Venture

| S. No. | Name of the Subsidiary Company / Joint Venture | Reporting Currency | Exchange Rate | Share Capital | Reserve & Surplus | Total Assets | Total Liabilities | Investments | Turnover | Profit before Taxation | Provision for Taxation | Profit after Taxation | Proposed Dividend | % of Share holding | Country |
|--------|--|--------------------|---------------|---------------|-------------------|--------------|-------------------|-------------|----------|------------------------|------------------------|-----------------------|-------------------|--------------------|-----------|
| 1 | Digilife Distribution and Marketing Services limited | INR | 1.00 | 56.05 | (56.51) | 10.41 | 10.87 | - | 23.33 | 0.46 | 1.25 | (0.79) | - | 100 | India |
| 2 | HCL Learning Limited | INR | 1.00 | 0.08 | (46.29) | 5.98 | 52.19 | - | 9.27 | 11.40 | 0.29 | 11.11 | - | 100 | India |
| 3 | HCL Infotech Limited | INR | 1.00 | 0.22 | (523.38) | 528.07 | 1,051.23 | - | 197.66 | (117.63) | - | (117.63) | - | 100 | India |
| 4 | Pimpri Chinchwad eServices Limited | INR | 1.00 | 0.05 | (0.11) | 0.01 | 0.07 | - | 0.01 | (0.01) | - | (0.01) | - | 85 | India |
| 5 | Nature Technologies FZE (formerly known as HCL Infosystems MEA FZE), Dubai | AED | 21.21 | 87.55 | (115.14) | 5.05 | 32.64 | - | 2.50 | (4.95) | - | (4.95) | - | 100 | Dubai |
| 6 | HCL Investment Pte Limited, Singapore | USD | 53.93 | 8.41 | 1.97 | 11.86 | 1.48 | - | 1.15 | (2.17) | - | (2.17) | - | 100 | Singapore |

Notes:

1. HCL Insys Pte. was sold with effect from 15.11.2019.

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