

22nd August, 2019

To

The Assistant Vice President,
National Stock Exchange of India Limited,
"Exchange plaza"
Bandra-Kurla Complex,
Bandra (East)
Mumbai-400051

To

The Secretary,
BSE Limited, P.J.Tower
Dalal Street
Fort
Mumbai-400001

Sub: Annual Report – FY 2018-19

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 2018-19 along with the notice convening the Thirty Third (33rd) Annual General Meeting (AGM) of the members of HCL Infosystems Limited scheduled to be held on Monday, 16th day of September, 2019 at 10:00 AM at Kamani Auditorium, 1, Copernicus Marg, New Delhi – 110001.

The Annual Report for the Financial Year 2018-19 is also available on the website of the Company at <https://www.hclinfosystems.com/investors/>.

The dispatch of Annual Report has commenced today itself.

This is for your information and records.

Yours Faithfully,

For HCL Infosystems Limited

Sushil Kumar Jain
Company Secretary & Compliance Officer

Encl: As Above



Annual Report 2018-19

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman

Nikhil Sinha

Managing Director

Rangarajan Raghavan

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 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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MD MESSAGE

Dear Shareholders,

In FY18, we had made progress on our defined strategy to consolidate the company. Our plan for FY19 was to move on the path that we had strategised in the previous year. Accordingly, in the year we focussed on Enterprise Distribution, Consumer Distribution, Singapore Services and System Integration businesses.

This strategy has resulted in some success for us as our revenues from continuing operations increased from ₹ 3565 Crore in FY18 to ₹ 4340 Crore in FY19, an Y-o-Y growth of 22%. This growth has been significantly powered by performances in our Enterprise and Consumer Distribution businesses. In these focussed businesses there was revenue increase as well as profitability was maintained.

Our Enterprise Distribution business has been performing on a consistent basis. It's Channel business in the financial year was the main revenue earner. The business has also been working towards enhancing its digital offerings in line with

the dynamics and demands of the market. Accordingly, we have seen capabilities being created for future growth in this space.

In Consumer Distribution, there has been a 35% Y-o-Y revenue increase. The chief revenue contributor has been our partnership with HMD Global for Nokia handsets. Other partnerships with global manufacturers like Samsung and Microsoft Surface also gained ground. The multi-brand multi-channel strategy of Consumer Distribution continued to gain traction. Both e-Brandstore and Telecom Service Provider (Operator) Channel under Direct to Consumer Segment produced results.

For our focused businesses of Consumer and Enterprise Distribution, the market opportunity looks good. The Indian Consumer Market is growing, led by increase in demand due to changing lifestyles of individuals, easier access to credit and rising disposable income. Also, it is likely that India will emerge as a manufacturing hub. The multi-channel strategy of the business is also placed well to leverage opportunities as the share in the online market increases. Enterprise IT spending is also expected to grow in the year. One of the key drivers for this growth is that organizations have become more adaptive to business model change led by new technology such as digital transformation.

In our Overseas IT Services operations in Singapore, the business moved along its defined path in the financial year. The System Integration and Solutions business of the company focused on execution of existing projects. These include mission critical projects of the Government and the Defense sector. However, realisation of receivables from certain projects continued to pose challenges.

Going forward, we will continue to focus on our Distribution business and on the execution of projects and realization of receivables in the System Integration and Solutions business. We have taken steps to enhance our productivity and have achieved some success in this year. The company also shall continue to monetize its business and real estate assets in order to repay high cost loans and thereby reduce its finance cost.

I would like to thank our shareholders for the support and faith that you have reposed in the company. We look forward to a successful FY20 for HCL Infosystems!

With Warm Regards,
Rangarajan Raghavan

Management Discussion & Analysis

Growth in Revenues due to Focus on Select Businesses

In FY18, the strategy of the company was to focus on the consolidation of its various businesses. This strategy was continued in FY19 as well and the company was able to move forward on its journey and further consolidate its businesses.

At the beginning of FY19, we had outlined a path to further consolidate our organisation, as well as, focus on Enterprise Distribution, Consumer Distribution, Overseas Services and System Integration Businesses. This strategy has enabled the organisation to move forward on its planned roadmap. In FY18, we had reported revenue from continuing operations of ₹ 3565 Crore while in FY19 our revenues increased to ₹ 4340 Crore. This 22% Y-o-Y growth in revenue has been powered by performances in our Enterprise and Consumer Distribution businesses and also in our Overseas Services businesses in Singapore.

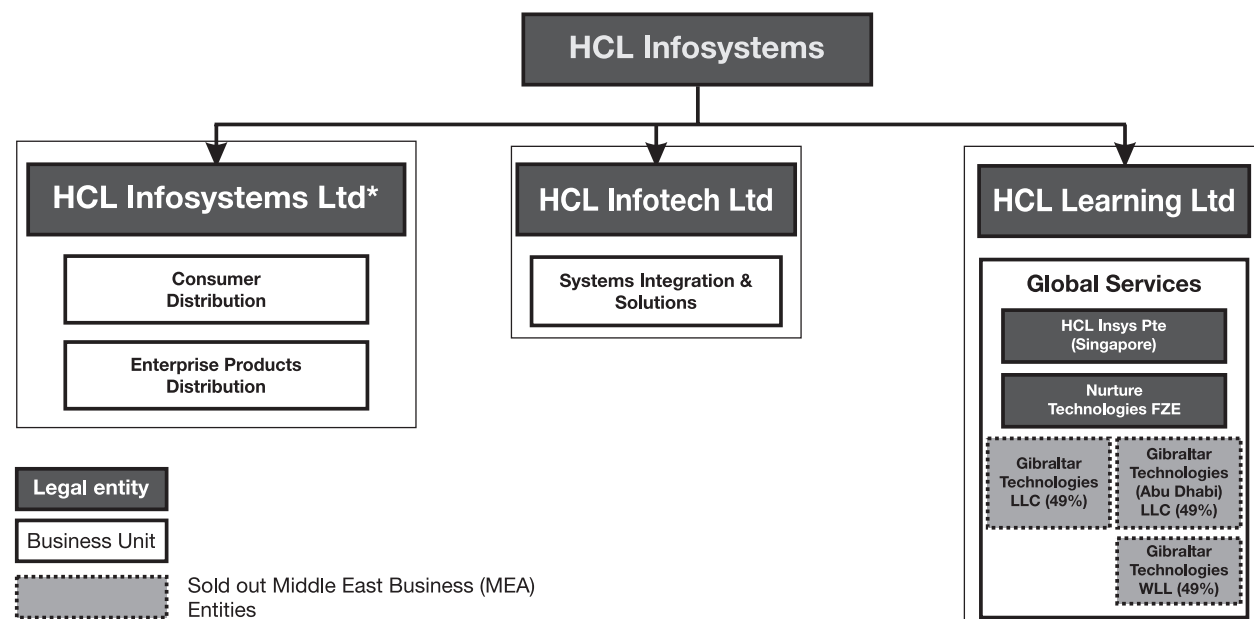
In the financial year, both the focussed business of Consumer and Enterprise Distribution performed well with combined revenue of ₹ 3722 Crore versus ₹ 3017 Crore in FY18, showing a growth of 23 % Y-o-Y.

The Overseas IT Services business in Singapore maintained its steady performance in the financial year. The business grew in revenue as it reached ₹ 486 Crore in FY19 as compared to ₹ 376 Crore in FY18 (from continuing operations). In FY19, the business renewed and enlarged its engagements and has also focused on automation initiatives to provide more value to customers.

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 (including Telecom) |
| Global Services | Enterprise Services – Singapore |
| System Integration and Solutions | System Integration projects |



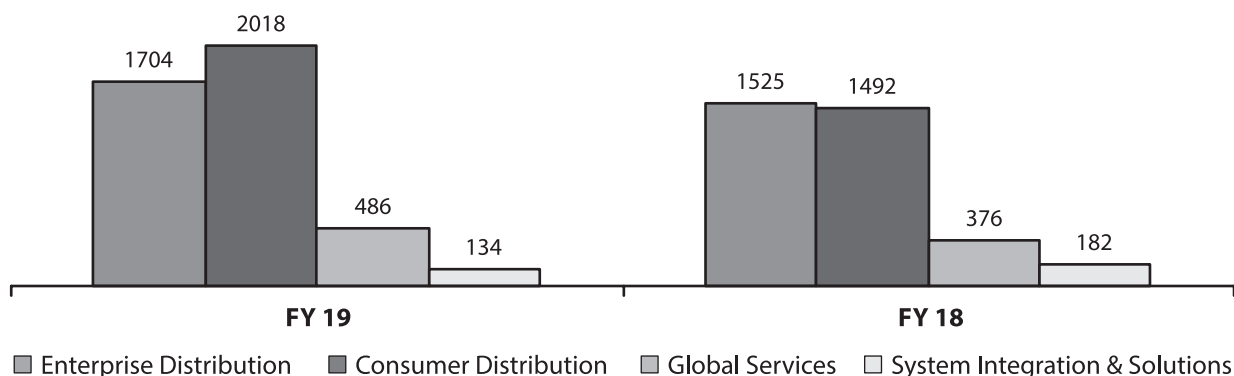
*The MEA Business has been divested in October 2018. These are considered as part of Discontinued Operations.

The numbers provide a line of business-wise view based on management accounts and are not as per reported segments. Revenue from continuing operations was at ₹ 4340 in FY19 as against ₹ 3565 Crore registered in FY18.

The Highlights for FY19 were:

- In FY19 the company registered a revenue increase of 22 % Y-o-Y from continuing operations. Distribution business led the top-line growth with revenue of ₹ 3722 Crore, a 23 % increase Y-o-Y.

- The Distribution business of the company consists of two go-to-market engines - Enterprise Distribution and Consumer Distribution. Both the businesses registered growth as well as profitability in FY19.
- Enterprise Distribution business posted a steady performance. The business has become a good operation underpinned by a strong network of channel partners and strategic alliances with world-leading technology companies.
- Consumer Distribution business after successfully transitioning from a single brand to a multi-brand and multi-channel business has been able to align with changing business dynamics in the industry and build efficient and comprehensive go-to-market offerings leveraging new distribution platforms like e-commerce.
- The System Integration and Solutions business had followed its well-charted path of execution of existing projects as well as collection of receivables.
- During the financial year, the Overseas Services business in Singapore maintained its steady growth and profitability.

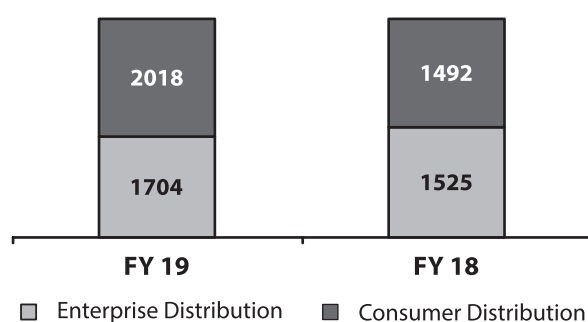


Figures in Rupee Crore

Distribution Business – Enterprise and Consumer Distribution

The company had defined a strategy in FY18 to focus on the Distribution business as a growth engine for the company. In FY19, we followed this strategy which resulted in the growth of the business in a steady manner and contributed to overall revenue growth of the company.

The Enterprise business was started four years back and today has an efficient operation. The annual revenue in FY19 was at ₹ 1704 Crore in comparison to ₹ 1525 Crore in FY18, with a growth of 12% Y-o-Y. The Channel Business of Enterprise Distribution was the main contributor to revenues. Enterprise Distribution has been able to build a strong network of 1800 plus channel partners delivering business value to both partners and customers. The business has a number of strategic alliances with global technology companies and besides driving business through its extensive channel network it also directly provides leading edge technology solutions to customers. The Enterprise Distribution business has been creating strong capabilities for providing solutions not only for Enterprise IT Infrastructure but also for the Digital Enterprises. The business today offers Datacenter, Network, Security, Cloud, Collaboration and Workplace Solutions. The Direct to Customer business has higher margins and provides for go to market capabilities in the emerging technology space.



Figures in Rupee Crore

Building on its successful transition into a multi-brand multi-channel business from a single-brand distribution entity, Consumer Distribution in FY19 has moved ahead. Aligned with changing business dynamics in the distribution market with the advent of new platforms and channels, Consumer Distribution today has comprehensive go to market offerings across General Trade, Organized Trade, E-Commerce, Enterprise and D2R (Direct to Retail) and D2C (Direct to Consumer). In FY19, Consumer Distribution achieved revenue of ₹2018 Crore versus ₹ 1492 Crore in FY18, reporting an increase of 35% Y-o-Y.

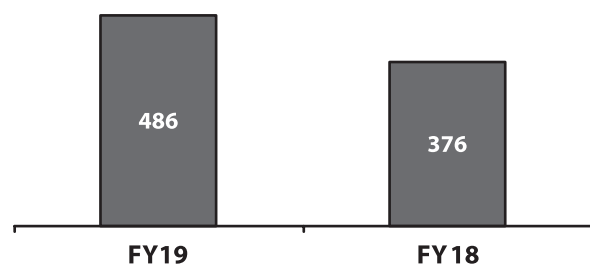
Consumer Distribution partners with leading brands such as HMD Global for Nokia, Samsung and Microsoft. The partnership with HMD Global for Nokia devices has been gaining grounds in a steady manner and revenue from this partnership has contributed substantially to the business.

HCL INFOSYSTEMS

During the financial year, Consumer Distribution made inroads in the Telecom Service Provider (Operator) Channel and in its e-Brandstore business. The e-commerce channel remained a focus segment for the business in the financial year. New models by Principals were also successfully launched in FY19. The contract with Apple India Pvt. Ltd ended on September 30, 2018.

Global Services

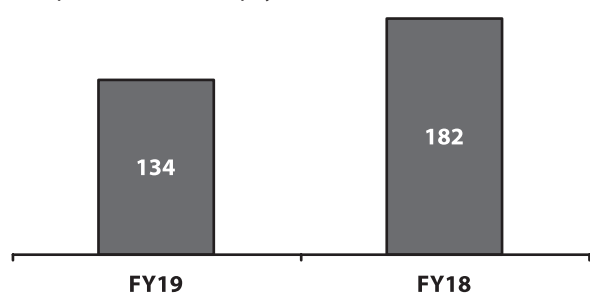
During the financial year, the Overseas Services business in Singapore remained stable. During the financial year the business renewed and expanded engagements with more agencies within its ATFM (Agency Tenant Facility Management) contract. From continuing operations the business registered revenue of ₹ 486 Crore in FY19 versus ₹ 376 Crore in FY18. There was also an increase in profitability in the financial year. The business also focussed on automation initiatives in the End User Computing and Datacenter spaces. In terms of capability building, employees were given training in Datacenter and Networking Technologies as a part of the skill enhancement plan of the company.



Figures in Rupee Crore

Systems Integration & Solutions

The Systems Integration business in FY2019 registered revenue of ₹ 134 Crore. The business continued to focus on the efficient execution of the current order book. The team continued to work with Government and Defence sectors in major mission critical projects. The total order book size stood at ₹ 460 as on 31 March 2018. As projects reached milestones and attained customers' acceptance, the business focussed more on collection of receivables. The team tracked the collection process very closely realizing a total of ₹ 309 Crore in the financial year. Business operations were closely aligned with cost optimization and improved productivity. The business continues to face challenges and delays in customer acceptances and payments, especially in the Power Sector. The company is continuously working on obtaining customer acceptances to enable payments.



Figures in Rupee Crore

Other Updates

In continuation with the previous year's strategy, the company during the financial year focussed on recalibration of its businesses. In line with this plan, divestments of certain businesses were carried out in FY18. In this financial year, on October 15, 2018, the Board of Directors approved the decision to sell most of its operations in the Middle East. These include operations in Dubai, Abu Dhabi and Qatar.

In FY19, HCL Infosystems was able to consolidate and grow its businesses by following its strategy of bringing focus on some key businesses as well as working on project execution in our Systems Integration and Solutions Business. This roadmap is the outcome of a planned strategy towards driving growth by focussing on certain businesses and at the same time optimizing other operations. This strategy has met with success as overall revenue in FY2019 had increased by 22 %, mainly driven by growth in our focussed businesses such as Distribution.

Due to losses during the last few years and high debt obligation along with challenging marketing conditions, the company has been constantly exploring the following:

- monitoring its businesses, to assess requirement of any further restructuring or rationalization required in order to reduce the financial losses
- restructuring, re-organization and sale of its select businesses & assets etc. in order to reduce the debt obligations and finance cost burden thereon.

Quality Initiatives

During the financial year, there was a renewed focus to enhance the customer and partner experience journey to the next level. To keep continued focus on customer and partner engagement, this year the partner engagement study was extended to online channel partners and respected level of satisfaction via the metric of NPS (Net Promoter Score) was observed. The satisfaction rating of organized partner also improved to a significant level.

For HCL Insys PTE Ltd. (Singapore Entity), Y-o-Y improvement in customer satisfaction was evident from the CSAT (Customer Satisfaction) Overall satisfaction score. On a Y-o-Y basis, scores sustained in these categories like in Service Desk (4.8 on a scale of 0 to 6) and Onsite support (5.1 on a scale of 0 to 6). These satisfaction scores were gained from a survey conducted internally but in an independent manner.

On the System Certification front, the company successfully achieved-

- o Keeping risk-based thinking in the top of the mind, Quality Management System has been upgraded from ISO 9001:2008 to ISO 9001:2015 for HCL Infosystems and HCL Insys Pte Ltd. (Singapore)
- o Information Security Management System (ISMS) – ISO 27001 for Noida Data Center and HCL Insys Pte Ltd. (Singapore).
- o All the ISO (International Organization for Standardization) certifications were successfully recertified this year and confirmed through third party certification and assessment.

- o Again, HCL Insys Pte Ltd., Singapore successfully completed Pre-Commission Security Audit & Yearly 'Service Wide Security Assessment (SWSA)', 'Service Management Audit (SMA)' & 'Annual Security Audit (ASA)' for IT Infrastructure and Services built for our esteemed customers. These audits were based on International Standards like ISO 27001:2013, ISO20000, CIS (Centre for Internet Security), and Singapore based Regulatory, Governance and Compliance Standards.

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 businesses. The risk management programme (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 and based on the overall risk performance 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 |
|---------|------------------|--|---|---|
| 1 | Strategic Risk | Changing trend in Consumer Distribution business | <ul style="list-style-type: none"> Disruptions in business growth due to external / internal factors | <ul style="list-style-type: none"> Building back end to take care of O2O Shift (Offline to Online) |
| 2 | Strategic Risk | Single Customer business | <ul style="list-style-type: none"> Dependence on single customer – GovTech Any serious non- compliance to the contract and blacklisting by GovTech can have disastrous impact on the continuity of business | <ul style="list-style-type: none"> Stringent monitoring on compliance to GovTech Contractual terms Exploring options to diversify into Private/ Enterprise customers |
| 3 | Strategic Risk | Inability to expand in Distribution business – dependent on a limited number of products and arrangements are with limited number of OEM's | <ul style="list-style-type: none"> Business results could be adversely affected in the event of our failure to expand the distribution services that we provide | <ul style="list-style-type: none"> Constraint in working capital Risk is managed by working with more than one product |
| 4 | Operational Risk | Liquidity / Cash flow risk due to Delayed Billed Receivables | <ul style="list-style-type: none"> Delay in mile stone sign offs and collection in public sector system integration projects Access to external financing is crucial for continuity A liquidity risk could arise if external financing is not available | <ul style="list-style-type: none"> Focused task groups to work on the receivables and improve collection efficiency Effective Contract Management discipline Improve the business performance Follow up and obtain refunds from Income Tax, etc. Consult regularly with external debt providers to discuss the ongoing business, results and strategy To secure long term loans to be in line with the projected cash flow to ensure debt servicing. |
| 5 | Operational Risk | Cost escalations (Systems Integration) | <ul style="list-style-type: none"> An inability to accurately anticipate the cost and complexity of performing work on an undertaken project due to factors like Project Scope Creep impacted by understanding issues / changing requirements of client Financial penalties like Liquidity Damages (LD) Technological obsolescence - An inability to fulfil warranties may hurt reputation and expose the company to potential litigation or claims for damages. | <ul style="list-style-type: none"> Regular interactions with client and giving maximum clarity on the scope of contracts / reducing interpretation issues Management review on cost overruns and exceptional approvals on additional cost items Assessing on case to case basis for warranty extension or renewals Financial penalties are critically reviewed by the management for acceptability Taking up with client wherever there is an unfair penalty levied Management review and case to case basis decision on further arbitration /legal actions |

| Sl. No. | Category | Risk Item | Risk Description | Risk Management Strategy |
|---------|------------------|---|---|--|
| 6 | Operational Risk | Profitability & Operational Excellence | <ul style="list-style-type: none"> Drop in revenue and GM earned while fixed costs in the business remain as is Business / Project Viability & Growth Cost Over-runs | <ul style="list-style-type: none"> Constant review of fixed costs, Cost Saving / Cost reduction initiatives Improve business performance; Continuous monitoring of Business units / Projects viability and profitability; Optimize fixed costs to variable cost, wherever possible Contingency planning in estimation; Effective Project Management to reduce risks |
| 7 | Operational Risk | Litigation with Government customers | <ul style="list-style-type: none"> Poor Contract Management Contracts with long term issues Litigation with Government customers In-ability to handle Government contracts Inability to secure company's interest while executing Government contracts Inability to take timely decisions | <ul style="list-style-type: none"> Improve compliance to Contractual terms and conditions Improve efficiency of Project Management / Contract Management Closely monitor the performance of the project and take timely decisions |
| 8 | Operational Risk | Human Capital Risk | <ul style="list-style-type: none"> Undesirable attrition Not able to attract and retain good people | <ul style="list-style-type: none"> Comprehensive employee engagement program Retention plans |
| 9 | Operational Risk | Human Capital Risk | <ul style="list-style-type: none"> Stringent immigration rules and increasing eligibility criteria for Visa makes it tough to get employment visas and exposes the company for skill set shortage, w.r.t overseas business Unable to retain employees to continue in Singapore Operations due to strict visa eligibility norms for the dependent family members | <ul style="list-style-type: none"> Projects are also resourced through third party resources |
| 10 | Operational Risk | Outsourcing Risks (including manpower) | <ul style="list-style-type: none"> Inability to deliver products in a timely manner may affect the reputation and prospects of Distribution Business. Risks not transferred to Vendor / Service provider, while the activity is outsourced Criminal Liabilities Stiff Penal Provisions (e.g. High Penal interest on default in payment of Service Tax) | <ul style="list-style-type: none"> Activity outsourcing instead of manpower outsourcing Transfer risks as part of outsourcing Carry out Vendor Risk Assessment at the time of Outsourcing Stringent monitoring and MIS on outsourced operations Implementable Penal provisions for non-compliances |
| 11 | Operational Risk | Any change in the market performance of OEMs may impact our business, results of operation and financial condition. | <ul style="list-style-type: none"> OEMs face stiff competition, and their market share may be affected by a variety of factors including an inability to adapt to technological innovations, an inability to make effective transitions to new product offerings, an inability to adequately address defects in engineering | <ul style="list-style-type: none"> In Enterprise Distribution business is spread with multiple OEMs and hence impact may not be significant |
| 12 | Financial Risk | Treasury Risk <ul style="list-style-type: none"> Financing Risk – credit rating risk | <ul style="list-style-type: none"> Inability to raise money High cost of borrowing with hardening of interest rates and downward revision in credit rating | <ul style="list-style-type: none"> Support in the form of HCL Corporate Guarantee, for further financing. Improve collection efficiency Daily/Weekly cash flow management to reduce need for borrowings Monetize identified assets |

| Sl. No. | Category | Risk Item | Risk Description | Risk Management Strategy |
|---------|-----------------|---|---|--|
| | | <ul style="list-style-type: none"> Breach of Loan covenants Effective Management of sanctioned Banking Limits | <ul style="list-style-type: none"> Non-ability to pay loans / creditors on time Recall of loan amount All our business does need lot of non- fund based limits for LCs, BGs. | <ul style="list-style-type: none"> Waiver of covenants by banks Monetization of identified assets Monitor Asset-Liabilities mismatch and ensure that long term assets are funded through long term liabilities Continuous monitoring and adherence to loan payment terms Collect old BGs Seek credits through vendors w/o LC / BGs |
| 13 | Financial Risk | Customer Credit Risk | <ul style="list-style-type: none"> Customer default in payments (especially channel partners, Government / PSUs in failing financial health) Increase in customer credit risk, consequent to the movement of multi-brand business model in Consumer Distribution | <ul style="list-style-type: none"> Credit Insurance of credit obtained for channel partners Robust credit control management through detailed evaluation, inputs from the market on credit worthiness of channel partners / customers, inputs from TDAI platform Timely intervention through extensive management reviews to mitigate any potential exposure |
| 14 | Financial Risk | Demand Planning / Inventory Management | <ul style="list-style-type: none"> In the new business model of Consumer Distribution with multi-vendor situation, the risk of improper demand planning and inventory management issue are key points of focus, apart from working capital management Blockage of fund impacting cash flow Adverse impact on P&L in order to liquidate inventory at discounted price | <ul style="list-style-type: none"> Continuous monitoring of adherence to inventory norms |
| 15 | Compliance Risk | Legacy Issues on Compliance Domain | <ul style="list-style-type: none"> Claims of Indirect Tax authorities has no time-limit and hence cannot be foreseen Inability to provide documents, clarifications to authorities raising queries with a show cause notice, beyond the statutorily time-barred cases Company may have to 'Remit a portion of the amount', even while protesting such claims through legal means | <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 |
| 16 | Compliance Risk | Oversight over Foreign Entities | <ul style="list-style-type: none"> Non-Compliance of overseas regulatory requirements | <ul style="list-style-type: none"> A checklist of regulatory compliances for each key manager and monthly/quarterly compliance certification by each relevant manager Periodic audit of # 1 |
| 17 | Compliance Risk | Non Compliance to Delegation of Authority (DoA) - Financial control gaps; Fraud risk | <ul style="list-style-type: none"> Non compliance to the Delegation of Authority or not having Delegation of Authority As the attrition level increases, multiple tasks are handled by available people and adherence to DoA becomes a challenge | <ul style="list-style-type: none"> Risk assessment before delegating the authority Financial authority delegated are capped, within the framework of Board approved delegation Stringent exception approval process and close monitoring of adherence to DoA |
| 18 | Compliance Risk | Cyber Security | <ul style="list-style-type: none"> Customer data – Sensitive information leakage can result in serious Cyber Security risks and consequences | <ul style="list-style-type: none"> Rolling out of IT Systems after stringent IT security clearances Post implementation monitoring and periodic audits |

| Sl. No. | Category | Risk Item | Risk Description | Risk Management Strategy |
|---------|-----------------|--|---|---|
| 19 | Compliance Risk | Regulatory Risks | <ul style="list-style-type: none"> Changes in the legal and regulatory environment tend to increase the risk of non-compliance with the local, national and international laws and regulations, as well as tax legislations. Failure to comply with applicable regulations could lead to fines, claims and reputation damage. | <ul style="list-style-type: none"> Implement risk and control monitoring systems and processes aimed at compliance with all applicable laws and regulation. Involve consultants /experts, wherever applicable. Consequence management as part of the contract Periodic audit of # 1 |
| 20 | Compliance Risk | Code of Conduct (COC) & Ethical Issues | <ul style="list-style-type: none"> Employee frauds leading to business loss or damage to company reputation | <ul style="list-style-type: none"> Review of Whistle Blower Mechanism Strict actions on violations Continuous training & education on COC Annual / Quarterly certification |

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 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, amongst 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.

Human Resource Development

In its more than four-decade-old journey, HCL Infosystems has been focusing on developing an internal talent pool through dedicated programmes on employee development and executing relevant people practices.

As on March 31, 2019 the employee strength of the Company stood at 1207, while on April 1, 2018 it was 1733. Besides full-time employees, the Company also engaged over 754 associates for various short-term projects across different timelines. Reduction in head count was due to divestment of subsidiaries of HCL Infosystems MEA and organizational right sizing.

Talent Management: The Company cross leveraged existing talent across businesses to cater to relevant opportunities both within India as well as in our global operations in

Singapore. 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 long term incentive plans. External compensation benchmarking was done for critical roles and skills.

Capability Development: The focus of capability development in the financial year was on need based technical/functional training for the respective businesses. Various OEM and external trainings were conducted like Training by Microsoft on Rebates, IBM Power and Storage, EMC Strategy & GTM Session, Enablement Training Session - Collab, AVSI (Audio Visual System Integration), NetSec, Cisco Security Training and Java Secure Code. Other in-house (Domain and Technical) trainings were conducted like Information Security Awareness, ITIL Process, CA Service Desk, Change management automation process. Overall 1,524 training man-days were achieved.

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 as a result 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, 2019

The 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 Management Discussion and Analysis on 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, 2019.

RESULTS OF OPERATIONS

| | ₹ Crore | |
|---|--------------|--------------|
| Particulars | FY 19 | FY 18 |
| Revenue | 4340 | 3565 |
| Cost of sales | 3959 | 3236 |
| Gross margin from continuing operations | 381 | 329 |
| Employee benefits expense | 292 | 276 |
| Administration, selling and others | 124 | 140 |
| Depreciation and amortization expense | 22 | 27 |
| Interest income on lease rental | 1 | 4 |
| Gain on foreign exchange fluctuation | 2 | 2 |
| Provisions/liabilities no longer required written back | 10 | 27 |
| Operating Profit/(loss) from continuing operations before doubtful debts provision | (44) | (81) |
| Provision for doubtful debts | 62 | 47 |
| Interest income on discounted receivables | 54 | 75 |
| Investment & other Income | 35 | 21 |
| Finance costs | 123 | 141 |
| Profit/(loss) before exceptional items and tax from continuing operations | (140) | (173) |
| Exceptional Items gain/ (loss) | 0 | (31) |
| Tax expense | 8 | 5 |
| Profit/(loss) after tax from continuing operations | (148) | (209) |
| Profit/(loss) from discontinued operations before Tax | 3 | (505) |
| Profit/(loss) on disposal of discontinued operations | 10 | 0 |
| Tax expense of discontinued operations | 0 | 100 |
| Profit/(loss) from discontinued operations (after tax) | 13 | (605) |
| Profit/(loss) from continuing and discontinued operations (after tax) | (135) | (814) |
| Other comprehensive income | 4 | 4 |
| Total comprehensive income/(loss) for the year | (131) | (810) |

Revenue

Consolidated Revenues increased to ₹ 4,340 Crore in FY 19 as compared to ₹ 3,565 Crore in FY 18, resulting in 22% growth over previous year. The growth in revenue is driven majorly

by Distribution business. Consumer Distribution revenue was ₹ 2,018 Crore in FY 19 vs. ₹ 1,492 Crore in FY 18 and Enterprise Distribution revenue was ₹ 1,704 Crore in FY 19 vs. ₹ 1,525 Crore in FY 18.

Gross Margin

Gross margin was 8.8% in FY 19 as against 9.2% in FY 18. In absolute terms, gross margin was ₹ 381 Crore in FY 19 as against ₹ 329 Crore in FY 18, in line with revenue growth.

Employee Benefits Expense

Employee Benefits Expense was ₹ 292 Crore in FY 19 as against ₹ 276 Crore in FY 18 mainly due to annual increments and additional cost in Singapore Services on account of billable resources.

Administration, Selling and Other Expenses

Administration, Selling & other expenses were ₹ 124 Crore in FY 19 as against ₹ 140 Crore in FY 18. Decline in cost was majorly attributable to one time content write off in Learning business in FY18 worth ₹ 11 Crore. The details of administration, selling & other expenses is as follows:

| | ₹ Crore | |
|---|------------|------------|
| Particulars | FY 19 | FY 18 |
| Legal, Professional and Consultancy Charges | 30 | 29 |
| Rent | 21 | 18 |
| Bank Charges | 13 | 10 |
| Retainership Expenses | 11 | 15 |
| Travelling and Conveyance | 7 | 8 |
| Office Electricity and Water | 6 | 5 |
| Packing, Freight and Forwarding | 5 | 6 |
| Rates and Taxes | 2 | 7 |
| Property, Plant & Equipment Written-Off | 0 | 11 |
| Others | 29 | 31 |
| TOTAL | 124 | 140 |

Depreciation

Depreciation was ₹ 22 Crore in FY19 as against ₹ 27 Crore in FY18. Lower depreciation was majorly attributable to content amortization in Learning business worth ₹ 7.5 Crore in FY 18.

Provisions/Liabilities no longer required written back

Provisions/Liabilities no longer required written back were ₹ 10 Crore in FY 19 as against ₹ 27 Crore in FY 18.

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

Operating Profit/ (Loss) from continuing operations before Doubtful Debts provision was ₹ (44)Crore in FY 19 as against ₹ (81)Crore in FY 18.

Provision for Doubtful Debts

Provisions for doubtful debts were ₹ 62 Crore in FY 19 as against ₹ 47 Crore in FY 18, mainly in System Integration & Solutions business.

Provision has been considered during FY19 on account of certain large orders in System Integration business, especially

HCL INFOSYSTEMS

in the Power sector where the Company is facing challenge of inordinate delays in customer acceptances & payments.

Interest Income on discounted receivables

Interest Income on discounted receivables was ₹ 54 Crore in FY 19 as against ₹ 75 Crore in FY 18, mainly due to lower Trade Receivables in System Integration business.

Investment & Other Income

Investment & other income was ₹ 35 Crore in FY 19 as against ₹ 21 Crore in FY 18. FY 19 interest & other income was higher due to income from sharing of company's infrastructure & facilities with Divested business.

Finance Costs

Finance costs were ₹ 123 Crore in FY 19 as against ₹ 141 Crore in FY 18, mainly due to lower borrowings in FY 19.

Exceptional Items

Loss from Exceptional items was Nil in FY 19 as against ₹ 31 Crore in FY 18 (Goodwill impairment for Learning Business).

Tax Expense

Tax expense net of deferred tax was ₹ 8 Crore in FY 19 as against ₹ 5 Crore in FY 18. Tax expense mainly pertains to overseas business.

Profit/(Loss) after Tax from continuing operations

Profit/ (Loss) after Tax from continuing operations was ₹ (148) Crore in FY 19 as against ₹ (209) Crore in FY 18.

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

Profit/ (Loss) from Discontinued operations was ₹ 3 Crore in FY 19 as against ₹ (505) in FY 18. FY 18 includes Goodwill write-off ₹ 412 Crore.

Profit/(Loss) on disposal of discontinued operations

Profit/ (Loss) on disposal of discontinued operations was ₹ 10 Crore in FY 19 (Care Business ₹ 8 Crore, HCL Services Ltd. ₹ 1 Crore, Others ₹ 1 Crore) as against Nil in FY 18.

Tax expense from discontinued operations

Tax expense from discontinued operations was Nil in FY 19 as against ₹ 100 Crore in FY 18. During FY18 Deferred Tax asset was reversed.

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

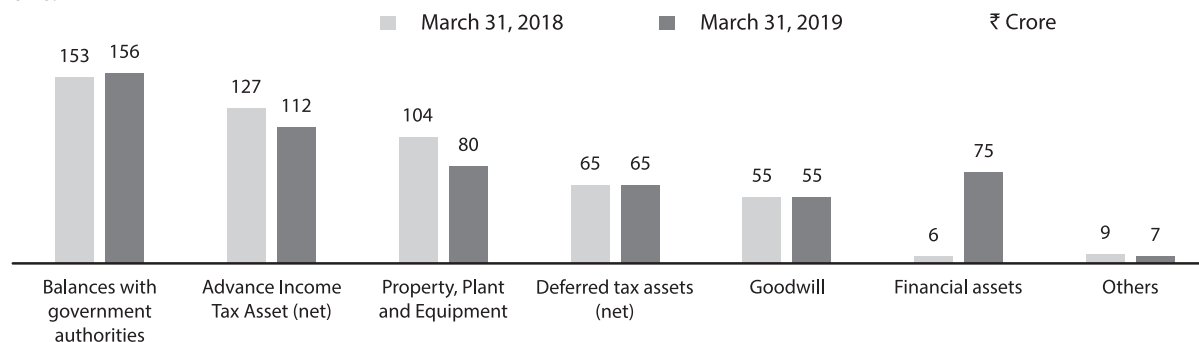
Profit/(Loss) from Continuing and Discontinued operations (after tax) was ₹ (135) Crore in FY 19 as against ₹ (814) Crore in FY 18.

FINANCIAL CONDITION

| Particulars | March 31, 2019 | March 31, 2018 |
|--|----------------|----------------|
| ASSETS | | |
| Non-current assets | 550 | 519 |
| Current assets | 1,433 | 2,141 |
| Disposal group-assets held for sale | 14 | 219 |
| Total | 1,997 | 2,879 |
| EQUITY AND LIABILITIES | | |
| Net worth | 104 | 235 |
| Non-current liabilities | 112 | 181 |
| Current liabilities | 1,781 | 2,372 |
| Disposal group-liabilities directly associated with assets held for sale | - | 91 |
| Total | 1,997 | 2,879 |

Non-Current Assets

Non-current assets were ₹ 550 Crore as at March 31, 2019 as compared to ₹ 519 Crore as at March 31, 2018. The details are as follows:

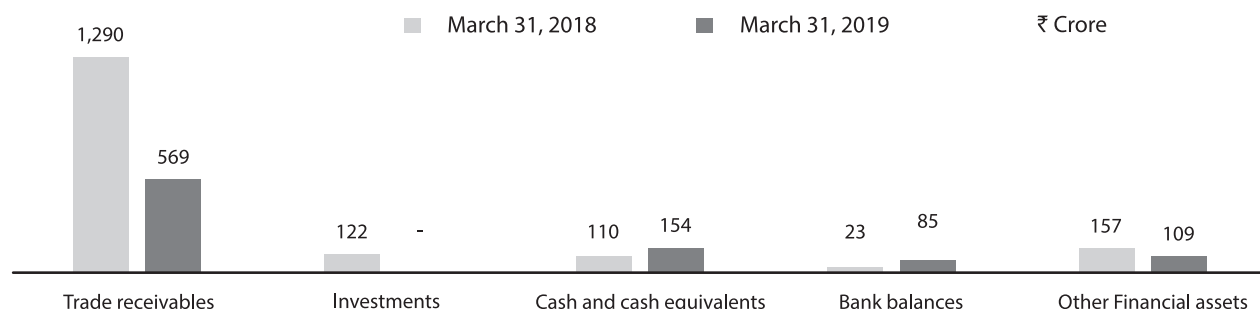


Financial Assets were ₹ 75 Crore as on March 31, 2019 (includes HCL Services Limited sale consideration pertaining to income tax refund ₹ 71 crore, receivable as and when the tax refund is received) as compared to ₹ 6 Crore as at March 31, 2018

Current Assets

Current assets were ₹ 1,433 Crore as at March 31, 2019 as compared to ₹ 2,141 Crore as at March 31, 2018. The details are as follows:

- Inventories were ₹ 96 Crore as at March 31, 2019 as compared to ₹ 299 Crore as at March 31, 2018 lower by ₹ 203 Crore mainly in Consumer Distribution business.
- Financial Assets were ₹ 917 Crore as at March 31, 2019 as compared to ₹ 1,702 Crore as at March 31, 2018. The details are as follows:



Trade receivables were ₹ 569 Crore as at March 31, 2019 as compared to ₹ 1,290 Crore as at March 31, 2018. Trade receivables were lower majorly in System Integration business due to collection of receivables and Distribution business due to discontinuance of Apple business.

Pursuant to adoption of Ind AS 115, the Company has reclassified ₹ 294 Crore from "Trade receivables" to "Other current assets" in FY19.

Other Current Assets were ₹ 420 Crore as at March 31, 2019 as compared to ₹ 140 Crore as at March 31, 2018.

Net Worth

The Equity Share Capital of the company was ₹ 104 Crore at March 31, 2019 as against ₹ 235 Crore at March 31, 2018. Lower equity in FY19 is due to total comprehensive loss of ₹ 131 Crore in FY19.

Non-Current Liabilities

Non-current liabilities were ₹ 112 Crore as at March 31, 2019

as compared to ₹ 181 Crore as on March 31, 2018 mainly due to decrease in Bank borrowings by ₹ 70 Crore.

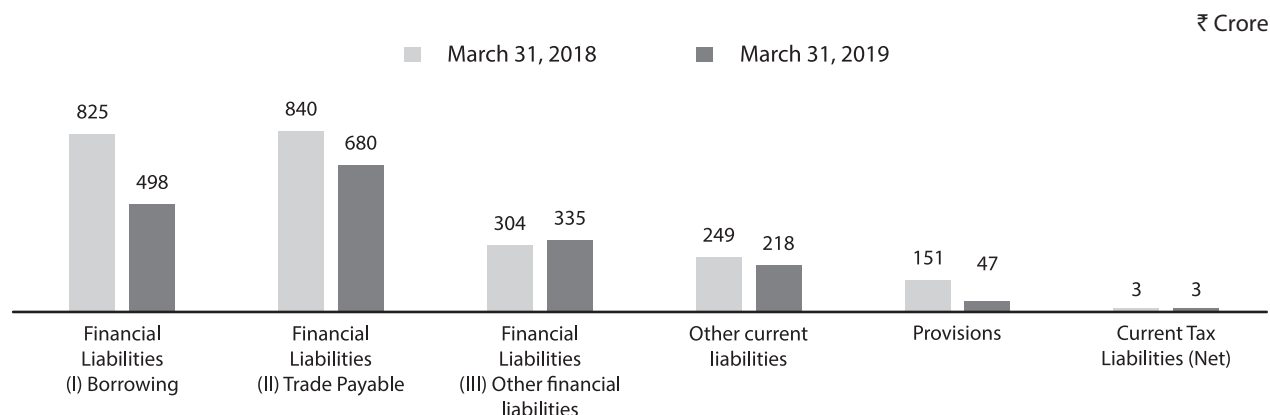
Net Borrowings

The net borrowings were ₹ 659 Crore as at March 31, 2019 as compared to ₹ 997 Crore as at March 31, 2018. Lower borrowings driven by release of working capital, deployed earlier during FY18 in Consumer distribution business.

| ₹ Crore | | |
|---------------------------------|----------------|----------------|
| Particulars | March 31, 2019 | March 31, 2018 |
| Borrowings | 899 | 1,252 |
| Less : Cash, Bank & Investments | 240 | 255 |
| Net Borrowings | 659 | 997 |

Current Liabilities

Current liabilities were ₹ 1,781 Crore as on March 31, 2019 as compared to ₹ 2,372 Crore as on March 31, 2018. The details are as follows:



- 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.

HCL INFOSYSTEMS

- Provisions lower due to lower provision for contract loss mainly in System Integration business.

CASH FLOW STATEMENT

A summary of cash flow statement is given below:

| ₹ Crore | | |
|---|------------|------------|
| Particulars | FY 19 | FY 18 |
| Opening balance of cash and cash equivalents | 116 | 138 |
| Net cash flow from operating activities | 387 | (351) |
| Net cash flow from investing activities | 128 | 92 |
| Net cash flow from financing activities | (477) | 235 |
| Effect of foreign exchange on cash and cash equivalents | - | 2 |
| Cash and cash equivalents at the end of the year | 154 | 116 |

Cash flow from operations

In FY 19, the Company generated ₹ 387 Crore from operations as against use of ₹ 351 Crore in FY 18. Higher cash flows was mainly due to release of working capital, deployed earlier during FY18 in Consumer distribution business

| ₹ Crore | | |
|---|------------|--------------|
| Particulars | FY 19 | FY 18 |
| Operating profit before changes in operating assets and liabilities | 7 | (110) |
| Changes in operating assets and liabilities | 370 | (196) |
| Cash generated from operations | 377 | (306) |
| Tax payments made | 10 | (45) |
| Net cash generated/(used) in operating activities | 387 | (351) |

Cash flow from investing activities

In FY 19, the Company generated ₹ 128 Crore from investing activities as against ₹ 92 Crore in FY 18. The cash generation of ₹ 128 Crore is mainly due to proceeds from sale of current investments ₹ 126 Crore and Interest income of ₹ 58 Crore which was partially offset by Investments in bank deposits ₹ 63 Crore.

Cash flow from financing activities

In FY 19, the Company used ₹ 477 Crore for financing activities (mainly for loan repayment) as against cash generation of ₹ 235 Crore in FY 18.

SEGMENT PERFORMANCE

Segment Revenue

| ₹ Crore | | |
|-----------------------------------|--------------|--------------|
| Particulars | FY 19 | FY 18 |
| - Hardware Products and Solutions | 135 | 182 |
| - Services * | 540 | 875 |
| - Distribution | 3,722 | 3,016 |
| - Learning | 10 | 3 |
| Less : Intersegment Eliminations | (15) | (33) |
| Total | 4,392 | 4,043 |

*This includes revenue for FY 19 at ₹ 52 Crore and for FY 18

at ₹ 478 Crore from discontinued operations. Company had divested Care Business, Domestic Enterprise Services Business & Middle East Asia Services in FY19 which are considered as discontinued operations.

Hardware Products and Solutions

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

Segment revenue in FY 19 was ₹ 135 Crore as against ₹ 182 Crore in FY 18. In the System Integration business, we are in the process of executing existing engagements. Consequently, the revenues have gradually tapered down.

Segment PBIT in FY 19 was ₹ (73) Crore (lower PBIT mainly due to higher provisions for doubtful debts in System Integration business) as against ₹ (49) Crore in FY 18.

Segment assets were ₹ 582 Crore as at March 31, 2019 as against ₹ 913 Crore as at March 31, 2018 and Segment liabilities were ₹ 383 Crore as at March 31, 2019 as against ₹ 506 Crore as at March 31, 2018. The reduction in Segment assets is primarily due to reduction in trade receivables.

Services

Global Services business comprise of IT Infrastructure Management Services for WOG (Whole Of Government) network to Singapore Government ministries/departments, statutory boards and organs of state either through onsite resources or remotely through network operations centres located in Singapore with connectivity to the Singapore Government network.

Domestic Enterprise Services, Care businesses and Middle East Asia Services has been considered as discontinued operations. Below includes discontinued operations

Segment revenue in FY 19 was ₹ 540 Crore as against ₹ 875 Crore in FY 18. Revenue was lower due to discontinued operations. Revenue for continued operations was ₹ 488 Crore in FY19 as against ₹ 397 Crore in FY18.

Segment PBIT in FY 19 was ₹ 43 Crore as against ₹ (464) Crore in FY 18. PBIT includes impairment of goodwill of ₹ 412 Crore in FY 18.

Segment assets were ₹ 237 Crore as at March 31, 2019 as against ₹ 347 Crore as on March 31, 2018 and Segment liabilities were ₹ 80 Crore as on March 31, 2019 as against ₹ 194 Crore as on March 31, 2018.

Distribution

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

Segment revenue in FY 19 was ₹ 3,722 Crore as against ₹ 3,016 Crore in FY 18. Consumer Distribution revenue was ₹ 2,018 Crore in FY19 vs. ₹ 1,492 Crore in FY18 and Enterprise Distribution revenue was ₹ 1,704 Crore in FY19 vs. ₹ 1,525 Crore in FY18 registering growth of 11.7%.

Segment PBIT in FY 19 was ₹ 13 Crore as against ₹ 14 Crore in FY 18.

Segment assets were ₹ 695 Crore as on March 31, 2019 as against ₹ 1051 Crore as on March 31, 2018 and Segment liabilities were ₹ 503 Crore as on March 31, 2019 as against ₹ 648 Crore as on March 31, 2018. Segment assets & liabilities as on March 31, 2019 were lower mainly due to discontinuance of apple business.

Learning

Segment revenue in FY 19 was ₹ 10 Crore, mainly on account of outright content sale as against ₹ 3 Crore in FY 18.

Segment PBIT in FY 19 was ₹ 11 Crore as against ₹ (46) Crore in FY 18. PBIT includes impairment of goodwill of ₹ 31 Crore in FY 18.

Segment assets were ₹ 3 Crore as on March 31, 2019 as against ₹ 11 Crore as on March 31, 2018 and Segment liabilities were ₹ 6 Crore as on March 31, 2019 as against ₹ 10 Crore as on March 31, 2018.

KEY FINANCIAL RATIOS:

| Particulars | ₹ Crore | |
|-----------------------------|---------|---------|
| | FY 19 | FY 18 |
| Debtors Turnover (Days) | 47.9 | 132.0 |
| Inventory Turnover (Days) | 8.0 | 30.6 |
| Current Ratio (times) | 0.8 | 0.9 |
| Debt Equity Ratio (times) | 8.6 | 5.3 |
| Operating Profit Margin (%) | (1.0%) | (2.3%) |
| Net Profit Margin (%) | (3.1%) | (22.8%) |

Debtors Turnover days were at 47.9 as on March 31, 2019 as against 132.0 as on March 31, 2018 due to lower Debtors in Hardware Products and Solutions and Distribution business and higher revenue in Distribution business.

Inventory Turnover days were at 8.0 as on March 31, 2019 as against 30.6 as on March 31, 2018 due to lower inventory and higher revenue in Distribution business.

Debt Equity Ratio was at 8.6 as on March 31, 2019 as against 5.3 as on March 31, 2018 due to lower equity on account of total comprehensive loss.

Operating Profit Margin was at (1.0%) as on March 31, 2019 as against (2.3%) as on March 31, 2018 due to higher gross margin driven higher revenue in Distribution business.

Return on Net Worth was negative on account of negative PAT in FY18 & FY19.

Interest coverage was negative on account of negative EBIT in FY18 & FY19.

Net Profit Margin is (3.1%) for FY19 as against (22.8%) for FY18 due to higher losses in FY18, mainly on account of Goodwill written off ₹ 443 crore in FY18.

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. Our guiding principle is "Creating tomorrow's enterprise together".

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 3 above):

Not required.

4. Details of CSR spent during the financial year:

As the average profit for the last three financial years was negative so 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 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.

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.

The Company aims to encapsulate knowledge, awareness, and key developments on all environmental issues faced by today's world and to incorporate these in HCL's operations by assuring our commitment in delivering quality solutions, services and products.

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 (EEE). Waste of Electrical & Electronic Equipment (WEEE)/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 has formulated a program for the recovery and recycling of WEEE 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

the product. Your Company assures to all its customers that the entire process of recycling/disposal of WEEE 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 4.5 Metric Tons (March 2019) 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. HCL 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. Rangarajan Raghavan
Managing Director

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

Date: 30th May, 2019
Place: Noida



HCL INFOSYSTEMS

Board Report

Dear Shareholders,

Your Board of Directors is pleased to present the Thirty Third (33rd) Annual Report on the Business and Operations of the Company, together with the Audited Accounts for the financial year ended March 31, 2019.

Financial Highlights

The summary of the financial performance of the Company for the Financial Year ended March 31, 2019 as compared to the previous year is as below:

(₹ in Crores)

| Particulars | Consolidated | | Standalone | |
|--|-----------------|----------|-----------------|----------|
| | 2018-19 | 2017-18 | 2018-19 | 2017-18 |
| Continuing operations | | | | |
| Net Sales and other income | 4,442.40 | 3,695.36 | 3,641.52 | 3,003.02 |
| Profit before exceptional items Interest, depreciation and tax | 5.22 | (3.51) | 38.67 | 40.24 |
| Finance charges | 123.04 | 141.13 | 103.37 | 112.69 |
| Depreciation and amortization | 21.63 | 27.45 | 8.38 | 4.44 |
| Exceptional items | - | (31.42) | (133.23) | (553.62) |
| Loss before tax | (139.45) | (203.51) | (206.32) | (630.50) |
| Provision for taxation: current | 5.36 | 1.95 | - | - |
| Deferred tax expenses / (credit) | 2.85 | 3.13 | - | 1.07 |
| Net loss after tax | (147.66) | (208.59) | (206.32) | (631.57) |
| Discontinued operations | | | | |
| Loss before tax | 3.05 | (505.33) | - | - |
| Profit from disposal of discontinued operations | 9.59 | | - | |
| Tax expense / (credit) | 0.18 | 99.84 | - | - |
| Net loss after tax | 12.46 | (605.17) | - | - |
| Net loss after tax | (135.20) | (813.76) | (206.32) | (631.57) |

Performance

The consolidated net revenue (from continuing operations) of the Company for the financial year ended March 31, 2019 was ₹ 4,442.40 Crores as against ₹ 3,695.36 Crores during the previous financial year ended March 31, 2018. The consolidated loss before tax (from continuing operations) for the financial year ended, March 31, 2019 was ₹ 139.45 Crores as against a loss of ₹ 203.51 Crores during the previous financial year ended March 31, 2018.

The net revenue on standalone basis for the financial year ended, March 31, 2019 was ₹ 3,641.52 Crores as against ₹ 3,003.02 Crores during the previous financial year ended March 31, 2018. The loss before tax for the financial year ended, March 31, 2019 was ₹ 206.32 Crores as against a loss of ₹ 630.50 Crores during the previous financial year ended March 31, 2018.

Recommendation of Dividend

Your Board of Directors do not recommend any dividend for the financial year 2018-19.

Operations

A detailed analysis and insight into the financial performance and operations of your Company for the year ended March 31, 2019 is appearing in the Management Discussion and Analysis, forming part of the Annual Report.

During the year under review, the Company has sold/wound down the following mentioned entities:

- HCL Touch Inc., US, the erstwhile step down wholly owned subsidiary of the Company ceased to be a step down subsidiary on its winding up w.e.f April 4, 2018.
- QDigi Services Limited (formerly known as HCL Computing Products Limited), a wholly owned subsidiary has ceased to be a subsidiary of the Company w.e.f April 11, 2018 on its sale to an independent buyer namely Qess Corp Limited.
- HCL Services Limited, a wholly owned subsidiary has ceased to be the subsidiary of the Company w.e.f June 15, 2018 on its sale to M/s Karvy Data Management Services Limited, an independent buyer namely Karvy Data Management Services Limited.
- Gibraltar Technologies, LLC Dubai (formerly known as HCL Infosystems, LLC Dubai), Gibraltar Technologies, LLC, Abu Dhabi (formerly known as HCL Infosystems LLC, Abu Dhabi) and Gibraltar Technologies WLL (formerly known as HCL Infosystems Qatar WLL) were sold to an independent buyer w.e.f November 27, 2018.

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

Transfer to Reserves

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

The short term credit rating by ICRA continued at 'A1', indicating the very strong degree of safety regarding timely payment of financial obligations to the company's Commercial Paper program of ₹ 300 Crores.

The current long term rating assigned by India Rating to the Company continued at is 'A-', indicating adequate 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 and there were no fixed deposits outstanding either at the beginning or at the end of the year.

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 where HCL Infosystems Ltd. 'shares are listed | Scrip Symbol / Code |
|--|---------------------|
| National Stock Exchange of India Ltd. (NSE) | HCL-INSYS |
| BSE Ltd. (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. During the year under review, Mr. Rangarajan Raghavan was appointed as Managing Director of the Company w.e.f. April 1, 2018.

Mr. V N Koura, Non-executive and Non Independent Director vide his letter dated May 25, 2018, expressed his unwillingness to be reappointed as the Director of the Company and hence was not reappointed at the previous Annual General Meeting held on September 27, 2018. Mr. Dharendra Singh, Independent and Non-Executive Director also resigned from the directorship of the Company w.e.f. March 31, 2019. The Board places on record its appreciation for their contribution made throughout their tenure with the Company.

Dr. Nikhil Sinha has been designated as an Independent & Non-Executive Director w.e.f. April 1, 2019.

Mr. Kaushik Dutta and Mrs. Sangeeta Talwar were reappointed as Independent Directors for the second term of 5 years w.e.f. April 1, 2019.

In accordance with the provisions of the Companies Act, 2013 and the Articles of Association of the Company, Mr. Pawan Kumar Danwar, 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 membership held by the above Director, form part of the Notice convening the thirty third Annual General Meeting.

In terms of the provisions of Section 149, 152(6) and other applicable provisions of the Companies Act, 2013, an Independent Director shall hold office upto 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 the Companies Act, 2013 and 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 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 Board has, on the recommendation of the Nomination & Remuneration Committee (NRC) framed a criteria for appointment of Directors, Key Managerial Personnel/Senior Management. The Board has also adopted a remuneration policy for Directors, Key Managerial Personnel/ Senior Management and other employees. The criteria/policy on appointment and remuneration Policy are stated in the Corporate Governance Report.

Board Meetings

During the financial year 2018-19, 5 (Five) 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 safe guarding the assets of the company and for preventing and detecting fraud and other irregularities;
- the directors had prepared the annual accounts 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. Dharendra Singh* | - | - |
| Mr. Pawan Kumar Danwar | - | - |
| Mr. Dilip Kumar Srivastava | - | - |
| Ms. Ritu Arora | - | - |

| Executive Director | Ratio to median remuneration | Remuneration |
|---------------------------|------------------------------|--------------|
| Mr. Rangarajan Raghavan** | 20.56 | 1,44,05,018 |

Note:

*Mr. Dharendra Singh resigned from directorship of the Company w.e.f. March 31, 2019.

**Mr. Rangarajan Raghavan was appointed as the Managing Director of the Company w.e.f April 1, 2019.

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

No remuneration, other than the sitting fees were paid to Non-Executive and Independent Directors, which continued to be paid @ ₹ 75,000/- per Board / Committee meeting, as was paid during the year 2017-18.

(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 2018-19 was 11% as compared to 4% in financial year 2017-18. The increase

in percentage is due to transfer of the lower salaried employees of HCL Services Limited, wholly owned subsidiary of the Company on account of its sale to Kavya Data Management Services Limited.

(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 1207.

(e) Average percentile increase 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 6.2%
- The average annual increase in the managerial remuneration has been around 18% in the financial year under review, which is explained as under:

The erstwhile MD & CFO had resigned. On their resignations, these positions were filled by internal candidates. Their salaries were revised during the Annual Appraisal Process incorporating the elevated roles & responsibilities. Also, no salary was paid by the Company to the preceding MD.

(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 2018-19. 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 its fairness.

Policy on dealing with related party transactions is available on the website of the Company. <https://www.hclinfosystems.com/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, 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 implanted.

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 2018-19 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 2018-19. The Secretarial Audit Report given by the Secretarial Auditors is annexed and forms an integral part of this Board's Report. The Secretarial Auditor during the audit has suggested the following measures to be implemented with respect to secretarial matters:

- to intimate the stock exchanges the date of investor presentation/call and also to upload the investor presentation with the stock exchanges within 24 hours of the presentation.

Currently the Company has a process of hosting this information on Company's official website.

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 2019-20. 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 Standard

The Company is in Compliance with the applicable Secretarial Standard 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

The following mentioned entities sold/wound down to be the wholly owned subsidiaries/ step down subsidiaries of the Company:

- a. HCL Touch Inc., US, the erstwhile step down wholly owned subsidiary of the Company ceased to be a step down subsidiary on its winding up w.e.f April 4, 2018.
- b. QDigi Services Limited (formerly known as HCL Computing Products Limited), a wholly owned subsidiary has ceased to be a subsidiary of the Company w.e.f April 11, 2018 on its sale to an independent buyer namely Qess Corp Limited.
- c. HCL Services Limited, a wholly owned subsidiary has ceased to be the subsidiary of the Company w.e.f June 15, 2018 on its sale to M/s Karvy Data Management Services Limited, an independent buyer namely Karvy Data Management Services Limited.
- d. Gibraltar Technologies, LLC Dubai (formerly known as HCL Infosystems, LLC Dubai), Gibraltar Technologies, LLC, Abu Dhabi (formerly known as HCL Infosystems LLC, Abu Dhabi) and Gibraltar Technologies WLL (formerly known as HCL Infosystems Qatar WLL) were sold to an independent buyer w.e.f. November 27, 2018.

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

Annual Return

The Annual Return filed with the Ministry of Corporate Affairs (MCA) has been uploaded on the website of the Company i.e., <https://www.hclinfosystems.com/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 2018-19.

Significant and Material Orders Passed by the Regulators or Courts

There are no significant material orders passed by the Regulators / Courts which would impact the going concern status of the Company and its future operations.

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

Place: Noida
Date: May 30, 2019

Nikhil Sinha
(Chairman)

Annexure to Director's Report

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,

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 2.15 Lakh units of electrical energy during the whole financial year 2018-2019.

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

₹ 0.34 Crores (Previous period ₹ 6.64 Crores). The Standalone expenditure in foreign currency including imports during the year amounted to ₹ 207.27 Crores (Previous period ₹ 121.92 Crores).

Your Company has taken the following steps to increase its Foreign Exchange earnings:

During the Financial Year 2018-19, your company has taken the following steps to increase its Foreign Exchange earnings. HCL Insys Pte. Ltd., the company's subsidiary based out of Singapore had the following highlights:

- Renewed and Expanded engagements with more agencies within its ATFM (Agency Tenant Facility Management) contract.
- Achieved overall revenue of SGD\$ 91.92 Million with a revenue growth of 14% Y-o-Y with an increase in profitability
- There was capability building, employees were given training in Datacenter and Networking Technologies as a part of a skill enhancement plan. Automation initiatives in the End User and Computing and Datacenter spaces were also carried out.

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 March 31, 2019 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 February 25, 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 October 21, 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 31/03/2019 | Options Exercised till 31/03/2019 | Options Lapsed/ Forfeited during year ended 31/03/2019 | Options in force as on 31/03/2019 |
|---------------|-----------------|--------------------------------|-----------------------------------|--|-----------------------------------|
| 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

HCL INFOSYSTEMS

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 June 13, 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 31/03/2019 | Options Exercised till 31/03/2019 | Options Lapsed/ Forfeited during year ended 31/03/2019 | Options in force as on 31/03/2019 |
|---------------|-----------------|--------------------------------|-----------------------------------|--|-----------------------------------|
| 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 | ₹ 1,044.55 |
| 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 20 May 2019.
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, 2019 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 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, in our opinion, we provide reasonable assurance that the ESOS is in accordance with the provisions of the SEBI Regulations. 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

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

Manish Gupta

Partner

Membership No.: 095037

UDIN No. 19095037AAAABU6248

Place : Gurugram

Date: 17 June 2019

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 stipulated in Securities and Exchange Board of India(Listing Obligations and Disclosure Requirements) Regulations, 2015.

2. BOARD OF DIRECTORS:

- (i) As on March 31, 2019, the Board of Directors of the Company comprises of Seven Directors. Of the Seven Directors, Six are Non-Executive Directors and Three are Independent Directors including Two Women Directors. The Composition of the Board is in conformity with Regulation 17(1) of the Securities and Exchange Board of India(Listing Obligations and Disclosure Requirements) Regulations, 2015.
- (ii) None of the Directors on the Board is a member of more than 10 Committees or Chairman of more than 5 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 March 31, 2019 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 as amended and Section 149 of the Companies Act, 2013 (Act). In the opinion of the Board, all the Independent Directors fulfil the conditions specified as per Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and are independent of the management. Mr. Dharendra Singh, the Independent Director resigned from the directorship of the Company w.e.f. March 31, 2019 for personal reasons. He further confirmed that there was no other material reason for his resignation. 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 2018-19 and the last Annual General Meeting and the number of Directorship and Committee Chairmanship/ Memberships held by them in other public companies is given below. Other Directorship do not include directorship 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 2018-19 | | Whether attended last AGM held on September 27, 2018 | No. of Directorships in other public companies as on March 31, 2019 | Name of listed company and the category of directorship as on March 31, 2019 | No. of Committee positions held in other public companies as on March 31, 2019 | |
|---|--|-------------------------------------|----------|--|---|--|--|--------|
| | | Held | Attended | | | | Chairman | Member |
| Dr. Nikhil Sinha* (Chairman) | Non Independent & Non-Executive Director | 5 | 5 | Yes | 2 | - | - | - |
| Mr. Rangarajan Raghavan** (Managing Director) | Executive Director | 5 | 5 | Yes | 3 | - | - | 1 |
| Mr. Dilip Kumar Srivastava | Non Independent & Non-Executive Director | 5 | 5 | Yes | 3 | - | - | 1 |
| Mr. Dharendra Singh*** | Independent & Non-Executive Director | 5 | 5 | Yes | 4 | - | 3 | 1 |
| Mr. Kaushik Dutta**** | Independent & Non-Executive Director | 5 | 5 | Yes | 6 | 1. New Delhi Television Limited (Independent Director) 2. Newgen Software Technologies Limited (Independent Director) | - | 3 |

| Names | Category | No of Board Meetings during 2018-19 | | Whether attended last AGM held on September 27, 2018 | No. of Directorships in other public companies as on March 31, 2019 | Name of listed company and the category of directorship as on March 31, 2019 | No. of Committee positions held in other public companies as on March 31, 2019 | |
|-------------------------|--|-------------------------------------|----------|--|---|--|--|--------|
| | | Held | Attended | | | | Chairman | Member |
| Mr. Pawan Kumar Danwar | Non Independent & Non-Executive Director | 5 | 5 | Yes | 1 | - | - | 1 |
| Ms. Ritu Arora | Independent & Non-Executive Director | 5 | 4 | Yes | 4 | - | - | 2 |
| Ms. Sangeeta Talwar**** | Independent & Non-Executive Director | 5 | 5 | No | 6 | 1. GlaxoSmith Kline Consumer HealthCare Limited (Independent Director) 2. TCNS Clothing Co. Limited (Independent Director) 3. Castrol India Limited (Independent Director) | - | - |
| Mr. V N Koura***** | Non Independent & Non-Executive Director | 2 | 1 | No | 1 | - | - | - |

*The designation of Dr. Nikhil Sinha has been changed from Non-Independent & Non-Executive Director to Independent & Non-Executive Director w.e.f. April 1, 2019

**Mr. Rangarajan Raghavan was appointed as Managing Director of the Company w.e.f. April 1, 2018

***Mr. Dharendra Singh resigned from Directorship of the Company w.e.f. March 31, 2019.

**** Mr. Kaushik Dutta and Ms. Sangeeta Talwar were reappointed as Independent Director for the second term w.e.f. April 1, 2019.

*****Mr. V.N. Koura, liable to retire by rotation in the Annual General Meeting held on September 27, 2018 expressed his unwillingness to be reappointed as Director of the Company and had not been reappointed

- (v) Five Board Meetings were held during the financial year 2018-19 and the gap between two meetings did not exceed one hundred and twenty days. The dates on which the Board Meetings were held are as follows:

| | | |
|-----------------------|------------------|------------------|
| May 29, 2018 | July 25, 2018 | October 15, 2018 |
| October 24 & 25, 2018 | February 5, 2019 | |

- (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:

- Annual operating plans and budgets and all updates.
- Capital budgets and all updates.
- Quarterly Results for the Company and its operating divisions or business segments.
- Minutes of meetings of Audit Committee and other Committees of the Board.
- The information on recruitment and remuneration of senior officers just below the level of Board of Directors, including appointment or removal of Chief Financial Officer and the Company Secretary, if any.
- Show cause, demand, prosecution notices and penalty notices which are materially important.
- Sale of investments, subsidiaries which are material in nature and not in normal course of business
- Quarterly details of foreign exchange exposures and steps taken by management to limit the risks of adverse exchange rate movement, if material.
- 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.
- Discussion & review of business operations.
- Advancing inter-corporate loan to subsidiaries.
- Issue of corporate guarantees(s) on behalf of subsidiaries
- Minutes of meetings of Board of Directors of subsidiary companies.
- 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 the statutory auditors.
 - 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 judgment by management
 - Significant adjustments made in the financial statements arising out of audit findings
 - Compliance with listing and other legal requirements relating to financial statements
 - Disclosure of any related party transactions
 - 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 and 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 there on.
 - 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 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 | 4 | 4 |
| Mr. Dharendra Singh* | Independent & Non-Executive | 4 | 4 |
| Dr. Nikhil Sinha** | Non Independent & Non-Executive | 4 | 4 |
| Ms. Ritu Arora | Independent & Non-Executive | 4 | 3 |
| Ms. Sangeeta Talwar | Independent & Non-Executive | 4 | 4 |

*Mr. Dharendra Singh resigned from Directorship of the Company w.e.f. March 31, 2019.

**The designation of Dr. Nikhil Sinha has been changed from Non-Independent & Non-Executive Director to Independent & Non-Executive Director w.e.f. April 1, 2019

- f. The Audit Committee met four times during the financial year 2018-19 on the following dates:

| | | |
|------------------|---------------|------------------|
| May 29, 2018 | July 25, 2018 | October 24, 2018 |
| February 5, 2019 | | |

- g. The previous Annual General Meeting of the Company was held on September 27, 2018 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 to:-

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 & 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 & 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 & bonus plans for Senior Management as proposed by the CPO 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 CPO 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 for the performance of Business
- d. The composition of the Nomination & Remuneration Committee and the details of meetings attended by its Chairman/Members are given below:

| Name | Category | No. of Meetings | |
|---------------------------------|-----------------------------------|-----------------|----------|
| | | Held | Attended |
| Mr. Dharendra Singh (Chairman)* | Independent & Non-Executive | 5 | 5 |
| Mr. Dilip Kumar Srivastava | Non - Independent & Non-Executive | 5 | 5 |
| Ms. Sangeeta Talwar | Independent & Non-Executive | 5 | 5 |

*Mr. Dharendra Singh resigned from Directorship of the Company w.e.f. March 31, 2019.

- e. The Committee met Five times during the financial year 2018-19 on the following dates:

| | | |
|------------------|------------------|---------------|
| May 29, 2018 | June 21, 2018 | July 25, 2018 |
| October 24, 2018 | February 5, 2019 | |

- 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 March 31, 2019, the Board has decided that no commission be paid to Non-executive Directors for the year ending March 31, 2019.

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 are paid to the Independent Directors and Dr. Nikhil Sinha (designated as Independent Director w.e.f. April 1, 2019).

- g. Details of remuneration paid / payable to all the Directors for the period from April 1, 2018 to March 31, 2019:

(₹ /Lacs)

| Name | Salary & Allowances | Perquisites | Performance Linked Bonus | Commission | Sitting Fees |
|--------------------------------|---------------------|-------------|--------------------------|------------|--------------|
| Executive Directors | | | | | |
| Mr. Rangarajan Raghavan* | 144.05 | 1.92 | NIL | NIL | NIL |
| Non-Executive Directors | | | | | |
| Dr. Nikhil Sinha** | NIL | NIL | NIL | NIL | 6.75 |
| Mr. V N Koura*** | NIL | NIL | NIL | NIL | NIL |
| Mr. Dilip Kumar Srivastava | NIL | NIL | NIL | NIL | NIL |
| Mr. Pawan Kumar Danwar | NIL | NIL | NIL | NIL | NIL |
| Mr. Dharendra Singh**** | NIL | NIL | NIL | NIL | 14.25 |
| Ms. Sangeeta Talwar | NIL | NIL | NIL | NIL | 14.25 |
| Mr. Kaushik Dutta | NIL | NIL | NIL | NIL | 10.50 |
| Ms. Ritu Arora | NIL | NIL | NIL | NIL | 7.50 |

* Mr. Rangarajan Raghavan was appointed as Managing Director of the Company w.e.f. April 1, 2018.

** The designation of Dr. Nikhil Sinha has been changed from Non-Independent & Non-Executive Director to Independent & Non-Executive Director w.e.f. April 1, 2019

*** Mr. V N Koura, liable to retire by rotation in the Annual General Meeting held on September 27, 2018 expressed his unwillingness to be reappointed as Director of the Company and had not been reappointed

**** Mr. Dharendra Singh was resigned from Directorship of the Company w.e.f. March 31, 2019

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.

- i. Period of contract of Executive Director:

Mr. Rangarajan Raghavan, Managing Director: 3 Years from April 1, 2018.

- j. There was no pecuniary relationships or material, financial and commercial transaction of the non-executive director vis-à-vis the Company.

- k. As on March 31, 2019, 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 March 31, 2019. 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 & 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. Dharendra Singh* | Independent & Non-Executive | 4 | 4 |
| Mr. Rangarajan Raghavan** | Non-Independent & Executive | 4 | 4 |

* Mr. Dharendra Singh resigned from Directorship of the Company w.e.f. March 31, 2019

**Mr. Rangarajan Raghavan was appointed as member of the Committee w.e.f. April 1, 2018.

- c. The Committee met four times during the financial year 2018-19 on the following dates:

| | | |
|------------------|---------------|------------------|
| May 29, 2018 | July 25, 2018 | October 24, 2018 |
| February 5, 2019 | | |

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

Mr. Sushil Kumar Jain
Company Secretary
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 Ten Complaints 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 March 31, 2019.

(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 from the past three years, hence not liable to spend any amount on CSR activities. Therefore no meeting of Corporate Social Responsibility Committee was conducted during the financial year 2018-19.

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
 - Investment of surplus funds
 - Recommend dividend policy to the Board
 - Insurance coverage and program
 - Review of the total BG issued v/s BG Limits
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 | 4 | 4 |
| Mr. Pawan Kumar Danwar | Non-Independent & Non-Executive | 4 | 4 |
| Ms. Ritu Arora | Independent & Non-Executive | 4 | 3 |

- c. The Company dissolved the Technology Committee w.e.f. May 13, 2019

4. Independent Directors' Meeting

During the period under review, the Independent Directors met on March 27, 2019, inter alia, to discuss:

- 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 directors 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 the Independent Directors were present at the meeting except Ms. Ritu Arora, who could not attend the meeting as she was not available in India.

5. Familiarization programmes for Independent Directors

During the year under review, no Independent Director was inducted on the Board of the Company. Apart of this the Company frequently organizes the familiarisation 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 the Board members have been mentioned:

| S. No | Area of Expertise |
|-------|---|
| 1 | Strategy (Experience in developing and implementing business strategy) |
| 2 | Leadership (Leadership experience and corporate leadership positions held) |
| 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) |

7. Criteria/Policy for appointment of Directors and Senior Management and their remuneration**a. Criteria of appointment of Director****Qualification & Criteria**

The Directors shall meet the criteria for qualification, experience and independence (in case of Independent Directors), as laid down by the Nomination & Remuneration Committee.

The proposed appointee shall also fulfill the following requirements:

1. Shall possess a director's identification number;
2. Shall not be disqualified under the Companies Act, 2013;
3. Shall provide his/her written consent to act as a Director;
4. Shall endeavour to attend all Board meetings and wherever he/she is appointed as a Board Committee ("Committee") member, the Committee meetings;
5. Shall abide by the Code of Conduct established by the Company for directors and senior management personnel;
6. Shall disclose his/her concern or interest in any company or companies or bodies corporate, firms, or other association of individuals including his/her shareholding at the time of appointment and the first meeting of the Board in every financial year and thereafter whenever there is a change in the disclosures already made;
7. Shall meet the requirements of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 concerning independence of directors, in the case of appointment of Independent Directors;
8. Such other requirements as may be prescribed, from time to time, under the Companies Act, 2013 and other relevant laws.

The Nomination and Remuneration Committee (NRC) shall evaluate each individual with the objective of having a Board that best enables the success of the Company's business.

Vacation of office of Director

The office of Director shall be deemed to be vacated as per the provisions of the Companies Act, 2013.

b. Criteria of appointment of Senior Management

The following criteria are adopted for the appointment of the Senior Management:

1. There has to be a clear vacancy / requirement for the job for which the candidate (internal / external) is considered. The position should be cleared by the CPO & Managing Director.
2. The job description / responsibilities / reporting relationships must be clearly defined.
3. The candidate being considered must be a known functional expert in the relevant field of work.
4. The Senior Management candidate shall be interviewed by CPO, MD and by the panel decided by CPO & MD.
5. The appointment of the final shortlisted candidate must also be approved by the Departmental Heads/CPO & MD.

Senior Management Personnel shall abide by the Code of Conduct established by the Company.

The NRC shall have discretion to consider and fix any other criteria or norms for selection of the most suitable candidate(s).

c. Criteria for Determining Qualifications, Positive Attributes and Independence of a Director**1. Qualification for appointment of directors (including Independent Director)**

- Persons of eminence, standing and knowledge with significant achievements in business, professions and/or public service.
- Their skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research, corporate governance, operations or other disciplines related to the Company's business.
- As per the applicable provisions of Companies Act 2013, Rules made there under and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Nomination and Remuneration Committee shall have discretion to consider and fix any other criteria or norms for selection of the most suitable candidate(s).

2. Positive attributes of Directors (including Independent Directors):

- Directors are to demonstrate integrity, credibility, trustworthiness, ability to handle conflict constructively, and the willingness to address issues proactively.
- Willingness to devote sufficient time and attention to the Company's business and discharge their responsibilities.
- To assist in bringing independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct.
- Ability to develop a good working relationship with other Board Members and contribute to the Board's working relationship with the senior management of the Company.
- To act within their authority, assist in protecting the legitimate interests of the Company, its shareholders and employees.
- To exercise his/her responsibilities in a bona-fide manner in the interest of the Company.
- To assist the Company in implementing the best corporate governance practices.
- To maintain confidential information, including commercial secrets, technologies, advertising and sales promotion plans, unpublished price sensitive information, unless such disclosure is expressly approved by the Board or required by law.
- Independent Directors to meet the requirements of the Companies Act, 2013 read with the Rules made thereunder and Securities and Exchange Board of India(Listing Obligations and Disclosure Requirements) Regulations, 2015.

3. Independence of Independent Directors-

An Independent Director should meet the requirements of the Companies Act, 2013 and Securities and Exchange Board of India(Listing Obligations and Disclosure Requirements) Regulations, 2015 concerning independence of directors.

d. Remuneration Policy**1. Key Principles of the Policy**

While designing compensation for Directors, Key Managerial Personnel and Senior Management, the following set of principles act as guiding factors:

- Aligning key executive and board remuneration with the long term interests of the Company and its shareholders;
- Minimize complexity and ensure transparency;
- Link compensation to long term strategy and annual business performance of the Company.
- Promotes a culture of meritocracy and is linked to key performance and business drivers.
- Reflective of line expertise, market competitiveness so as to attract the best talent.
- In evaluating the suitability of individual Board members, the Committee will take into account multiple factors, including their general understanding of the business, education, professional background, personal achievements, etc. Few important criteria against which each prospective candidate will also be evaluated are personal and professional ethics, integrity and values.
- Conduct a review of remuneration on a periodic basis to ensure Directors of the Company are compensated effectively in a manner consistent with the business strategy of the Company, and to further ensure that the Company will be able to attract, retain and reward those who contribute to the success of the Company.

2. Remuneration Policy for Executive Directors

- The remuneration paid to Executive Directors is recommended by the Committee and approved by the Board in the Board Meeting, subject to the subsequent approval by the shareholders at the general meeting and such other authorities, as the case may be.
- At the Board Meeting, only the Non-Executive and Independent Directors participate in the item approving the remuneration paid to the Executive Directors. The remuneration is arrived at by considering various factors such as qualification, experience, expertise, prevailing remuneration in the industry and the financial position of the Company. The elements of the remuneration and limits are pursuant to the Sections 178 and 197 of the Act, read with schedule V to the Act and Securities and Exchange Board of India(Listing Obligations and Disclosure Requirements) Regulations, 2015.

- The Board on the recommendation of the Committee shall also review and approve the remuneration payable to the Key Managerial Personnel (KMP) of the Company.
- The remuneration structure to the Executive Directors and the KMP shall interalia include the following components as:-
 - basic pay,
 - perquisite & allowances,
 - stock options,
 - annual performance bonus, and
 - retiral benefits
- In determining the remuneration (including the fixed increment and performance bonus) the Committee shall ensure/ consider the following:
 - the relationship of remuneration and performance benchmarks is clear;
 - balance between fixed and incentive pay reflecting short and long term performance objectives is appropriate as per the working of the Company and its goals;
 - responsibility required to be shouldered by the Executive Director, the industry benchmarks and the current trends;
 - Company's performance vis-à-vis the annual budget achievement and individual performance vis-a-vis the KRAs / KPIs.

3. Remuneration policy for Non- Executive & Independent Directors

The Non-Executive Directors shall be entitled to receive remuneration by way of sitting fees, reimbursement of expenses for participation in the Board / Committee meetings and commission as detailed hereunder:

- A Non-Executive Director shall be entitled to receive sitting fees for each meeting of the Board or Committee of the Board attended by them, of such sum as may be approved by the Board of Directors within the overall limits prescribed under the Companies Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014;
- A Non-Executive Director will also be entitled to receive commission on an annual basis, of such sum as may be approved by the Board on the recommendation of the Committees subject to approval from the shareholders.
- The total commission payable to the Non-Executive Directors shall not exceed 1% of the net profit of the Company;
- The commission shall be payable on prorata basis to those Directors who occupy office for a part of the year.
- The Independent Directors of the Company shall not be entitled to participate in the Stock Option Scheme of the Company.

4. Remuneration policy for Key Managerial Personnel/Senior Management & Other Employees

- The key managerial personnel /senior management & other employees shall be paid remuneration basis their employment agreement with the Company.
- Performance of key managerial personnel/senior management & other employees shall be evaluated periodically against the defined & agreed Key Result Areas aligned to business & organization objectives transparently.
- The Remuneration for key managerial personnel/senior management & other employees shall include fixed and performance bonus/ variable, balancing the short and long term performance objectives, scope of the role; appropriate as per the working of the Company and its goals.
- Schemes detailing the performance parameters & metrics for key managerial personnel/senior management & other employees to earn their bonus/ variable shall be documented & made available for them to read & comprehend.
- Any changes in the remuneration value or structure for key managerial personnel/senior management & other employees shall be in accordance to applicable employment law & will be communicated in writing to them.

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, the Board of Directors conducted a formal annual performance evaluation of its own performance, the Committees of the Board and each Individual Directors.

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 Resources 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 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 'Managing 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 2018-19."

Sd/-

Rangarajan Raghavan

Managing Director

10. UNLISTED SUBSIDIARY COMPANIES:

The Company has Seven unlisted subsidiaries as on March 31, 2019 as under:

| S. No. | Name of the Company | Date of Incorporation / Acquisition |
|--------|--|-------------------------------------|
| 1. | Digilife Distribution and Marketing Services Limited | March 19, 2008 |
| 2. | HCL Learning Limited | September 28, 2012 |
| 3. | HCL Infotech Limited | September 28, 2012 |
| 4. | Pimpri Chinchwad eServices Limited | September 21, 2010 |
| 5. | HCL Insys Pte. Limited, Singapore | December 17, 2009 |
| 6. | HCL Investments Pte. Limited, Singapore | November 29, 2010 |
| 7. | Nurture Technologies FZE (formerly known as HCL Infosystems MEA FZE, Dubai) (acquired) | July 4, 2010 |

Note:

- HCL Touch Inc., US, the erstwhile wholly owned subsidiary ceased to step down by winding up w.e.f. April 4, 2018

- Qdigi Services Limited (formerly known as HCL Computing Products Limited) sold to M/s Qness Corp Limited w.e.f. April 11, 2018

- HCL Services Limited sold to M/s Karvy Data Management Limited w.e.f. June 15, 2018

- Gibraltar Technologies, LLC Dubai (formerly known as HCL Infosystems, LLC Dubai), Gibraltar Technologies, LLC, Abu Dhabi (formerly known as HCL Infosystems LLC, Abu Dhabi) and Gibraltar Technologies WLL (formerly known as HCL Infosystems Qatar WLL) sold to an independent buyer w.e.f. November 27, 2018

The Audit Committee reviewed the financial statements of the unlisted subsidiary companies. The Minutes of the Board and Committee Meetings of the unlisted subsidiary companies are regularly placed before the Board. The Board also review the statement of all significant transactions and arrangements 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 2018-19 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 2018-19. 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 Company has employed an external firm of Chartered Accountants to review and evaluate the basis of such agreements and its fairness.

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, a 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 accessed 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. April 1, 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 |
|----------------|--------------------|------------|--|
| 2017-18 | September 27, 2018 | 10:00 A.M. | Kamani Auditorium, 1, Copernicus Marg, New Delhi- 110001 |
| 2016-17 | September 14, 2017 | 10:00 A.M. | Kamani Auditorium, 1, Copernicus Marg, New Delhi- 110001 |
| 2015-16 | September 29, 2016 | 10:00 A.M. | Kamani Auditorium, 1, Copernicus Marg, New Delhi- 110001 |

- (ii) Special resolutions which were passed at last three AGMs are as follows:

September 27, 2018

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

September 14, 2017

- Approval for offer or invitation to subscribe to Redeemable Non- Convertible Debentures on private placement

September 29, 2016

- Approval for offer or invitation to subscribe to Redeemable Non- Convertible Debentures on Private Placement Basis

15. 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 March 31, 2019 and the Board reviewed the same.

16. 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. There are no penalties or strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authorities relating to the above.
- (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

The Secretarial Auditor during the audit has suggested the following measures to be implemented with respect to secretarial matters:

- *to intimate the stock exchanges the date of investor presentation/call and also to upload the investor presentation with the stock exchanges within 24 hours of the presentation.*

Currently the Company has a process of hosting this information on Company's official website.

- (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:
 - a. The Company has appointed separate persons to the post of Chairperson and Managing Director.
 - b. The statutory financial statements of the Company are unqualified.
 - c. Internal Auditor can directly report to the Audit Committee.
- (vi) The Company has taken a certificate from M/s VKC & 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
- (vii) During the period under review, the total fees of ₹ 203 Lakhs has been paid to the statutory auditor for the audit of Company and its subsidiaries. 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:
 - a. Number of compliant filed during the financial year: 1
 - b. Number of compliant disposed of during the financial year: 1
 - c. Number of compliant pending as on the end of financial year: 0

17. MEANS OF COMMUNICATION:

- (i) **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.
- (ii) **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 2018-19 were published as detailed below:

| Quarter (FY 2018-19) | Date of Board Meeting | Date of Publication | Name of the Newspaper |
|-------------------------|-----------------------|---------------------|-----------------------|
| 1 | May 29, 2018 | May 30, 2018 | Business Standard |
| 2 | July 25, 2018 | July 26, 2018 | Business Standard |
| 3 | October 24 & 25, 2018 | October 26, 2018 | Business Standard |
| 4 | February 5, 2019 | February 6, 2019 | Business Standard |

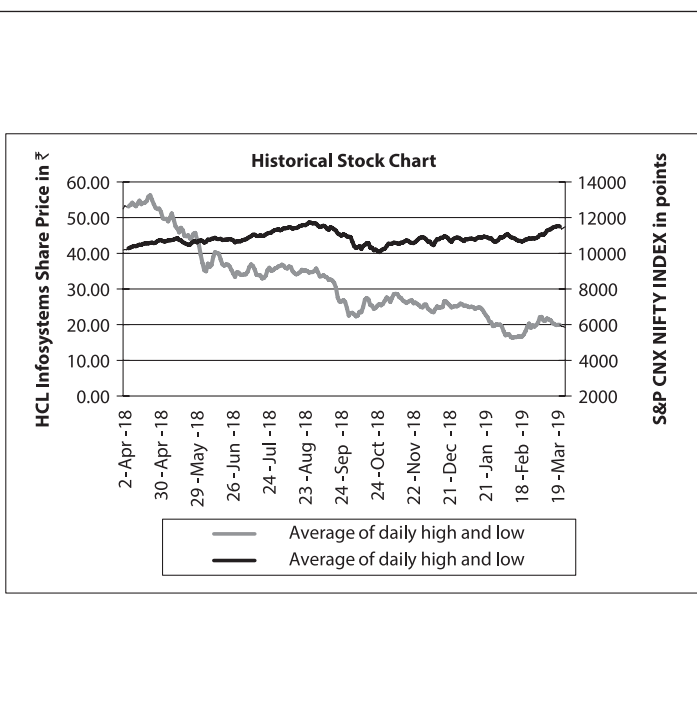
- (iii) **Website:** The Company's website www.hclinfosystems.com contains a separate section on 'Investors' where the latest shareholders information is available. The Quarterly, Half Yearly and Annual Results are regularly posted on the website. Press releases and presentations on investor call made by the Company from time to time and presentations made to investors and analysts are displayed on the Company's website.
- (iv) **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.

- (v) **Annual Report:** Annual Report containing, inter alia, Audited Annual Accounts, Consolidated Financial Statements, Directors' 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.

18. GENERAL SHAREHOLDERS' INFORMATION:

- (i) Annual General Meeting:
Date : Monday, September 16, 2019
Time : 10:00 A.M.
Venue : Kamani Auditorium, 1, Copernicus Marg, New Delhi- 110001
- (ii) The Company follows April to March year end.
- (iii) Financial Calendar (Tentative Calendar for the financial year 2019-20):
Adoption of Results for the quarter ending June 30, 2019 : July 31, 2019
Adoption of Results for the quarter ending September 30, 2019: November 5, 2019
Adoption of Results for the quarter ending December 31, 2019: January 29, 2020
Adoption of Results for the quarter ending March 31, 2020 : May 28, 2020
- (iv) Date of Book Closure: September 11, 2019 (Wednesday) to September 16, 2019 (Monday)
(both days inclusive)
- (v) Listing on Stock Exchanges : National Stock Exchange of India Limited
BSE Limited
The Company has paid the annual listing fees for both Stock Exchange(s).
- (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, 2018 | 57.25 | 51.25 |
| May, 2018 | 52.70 | 40.90 |
| June, 2018 | 41.60 | 32.50 |
| July, 2018 | 37.80 | 32.10 |
| August, 2018 | 37.30 | 33.55 |
| September, 2018 | 36.40 | 22.65 |
| October, 2018 | 29.30 | 21.25 |
| November, 2018 | 29.20 | 24.50 |
| December, 2018 | 27.05 | 22.85 |
| January, 2019 | 26.65 | 18.75 |
| February, 2019 | 20.75 | 15.55 |
| March, 2019 | 23.50 | 18.80 |



(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 March 31, 2019:

| No. of equity shares | Shareholders | | Total Shares | |
|----------------------|--------------|---------------|------------------|---------------|
| | Number | (%) | Number | (%) |
| Upto 500 | 69707 | 74.90 | 11461692 | 3.48 |
| 501-1000 | 10722 | 11.52 | 9024614 | 2.74 |
| 1001-2000 | 5845 | 6.28 | 9134303 | 2.77 |
| 2001-3000 | 2154 | 2.32 | 5621536 | 1.71 |
| 3001-4000 | 1053 | 1.13 | 3844926 | 1.17 |
| 4001-5000 | 911 | 0.98 | 4358880 | 1.32 |
| 5001-10000 | 1555 | 1.67 | 11672828 | 3.55 |
| 10001 and above | 1121 | 1.20 | 274091149 | 83.26 |
| Total | 93068 | 100.00 | 329209928 | 100.00 |

(xii) Shareholding pattern as on March 31, 2019:

| Category | No. of shares | Percentage (%) |
|---|------------------|----------------|
| Promoters / Promoters Group | 207031161 | 62.89 |
| Mutual Funds/Alternate Investment Funds | 1805500 | 0.55 |
| NBFCs | 1967342 | 0.60 |
| Foreign Portfolio Investors | 1806966 | 0.55 |
| Foreign Bank | 6725 | 0.00 |
| Financial Institutions / Banks | 3652932 | 1.11 |
| Bodies Corporate | 24732674 | 7.51 |
| Indian Public | 77915355 | 23.67 |
| NRI / Trust/others | 9625684 | 2.92 |
| Central Government (IEPF Fund) | 665589 | 0.20 |
| 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 March 31, 2019, 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 March 31, 2019.

(xv) Plant locations:

- Plot Nos. 1, 2, 27 & 28, Sector- 5, I.I.E - Pant Nagar (SIDCUL-Rudrapur), Distt.-Udham Singh Nagar, Uttarakhand - 263 153
- R.S. No: 107/5,6 & 7, Main road, Sedarapet, Pondicherry-605111

Note: Both the plants have been closed during the period under review.

(xvi) 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 Company Secretary

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

The short term credit rating by ICRA (as on November 30, 2018) continued at 'A1', indicating the very strong degree of safety regarding timely payment of financial obligations to the company's Commercial Paper program of ₹ 300 Crores.

The current long term rating assigned by India Rating to the company continued at is 'A-', indicating adequate 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.

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 20 May 2019.
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 2019, as stipulated in Regulations 17-27, 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") pursuant to the Listing Agreement of the Company with stock exchanges.

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 Listing Regulations, it is our responsibility to provide a reasonable assurance whether the Company has complied with the conditions of Corporate Governance as stipulated in the SEBI Listing regulations for the year ended 31 March 2019.
6. A reasonable assurance engagement involves performing procedures to obtain sufficient 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 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 2019, 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.



HCL INFOSYSTEMS

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

Manish Gupta

Partner

Membership No.: 095037

UDIN No. 19095037AAAABV1366

Place: Gurugram

Date: 17 June 2019

Secretarial Audit Report

SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED 2019

[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, 2019 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, 2019 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 - **Not Applicable**
 - (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 (Buy back of securities) Regulations, 2018; - **Not Applicable**
- (vi) The Company has identified following laws applicable specifically to the Company:
 - (i) The Information Technology Act, 2000;
 - (ii) The Indian Copyright Act, 1957;
 - (iii) The Patents Act, 1970;
 - (iv) The Trade Marks Act, 1999;
 - (v) 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 Bombay Stock Exchange Limited.



HCL INFOSYSTEMS

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 relating to Stock Exchange Intimation for Schedule of Analyst or institutional investor meet and presentations on financial results made by the listed entity to analysts or institutional investors under regulation 30 read with schedule III Part A of SEBI's Listing Obligations and Disclosures Requirements Regulations 2015.

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, 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 year, Mr. V N Koura, the Non-Executive and Non- Independent Director who was liable to retire by rotation, expressed his unwillingness to be re-appointment as a Director of the Company and the company in Annual General Meeting had resolved not to fill up the vacancy .
- During the period under review, The Board of the directors of the Company in their meeting held on 29th May,2018 had consented to issue Rated, Unsecured, Unlisted Redeemable Non-Convertible Debentures through private placement method, up to an aggregate amount of ₹ 100,00,00,000/- (Rupees One Hundred Crores only) to be issued in one or more series to selected group of persons,which later on rescinded by the Board and thus,no further actions were taken by the board .
- The Board of Directors of the Company in their meeting held on 29th May 2018, had consented to invest in its former wholly owned subsidiary (HCL Services Limited), by way of subscription of 1,04,20,000 Equity shares on rights basis amounting to ₹ 10.42 Crores at par of ₹ 10 each and 9,46,50,000 Optionally Convertible Debentures (OCDs) of ₹ 10 each, on Private placement basis not having any voting rights amounting to ₹ 94.65 Crores pursuant to Shareholder's Agreement between the Company and Karvy Data Management Services Limited.
- During the year, the Board of the Directors of the Company had given their consent for the sale of entire ownership and control of Gibraltar Technologies, LLC Dubai (formerly known as HCL Infosystems, LLC Dubai), Gibraltar Technologies, LLC Abu Dhabi (formerly known as HCL Infosystems, LLC Abu Dhabi) and Gibraltar Technologies, LLC (formerly known as HCL Infosystems Qatar, WLL).

For VKC & ASSOCIATES

(Company Secretaries)

ICSI Unique Code: P2017UP060600

CS Mohit K Dixit

Partner

ACS No. 49021

C.P No.17827

Date: 26th May, 2019

Place: New Delhi

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.

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 have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.
4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. 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.
6. The Secretarial Audit report 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.

For VKC & ASSOCIATES

(Company Secretaries)

ICSI Unique Code: P2017UP060600

CS Mohit K Dixit

Partner

ACS No. 49021

C.P No.17827

Date: 26th May, 2019
Place: New Delhi

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 2019, 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.

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 2019, and loss and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of Key Audit Matters:

| Applicability of Ind AS 115 for recognition of revenue | |
|--|---|
| See note 2.19 to the standalone financial statements | |
| The key audit matter | How the matter was addressed in our audit |
| <p>Ind AS 115 "Revenue from contracts with customers" has become effective for annual period beginning on or after 1 April 2018 replacing the existing revenue recognition guidance.</p> <p>The application of the new revenue recognition standard involves certain key judgments relating to identification of distinct performance obligations, determination of transaction price of the identified performance obligations and the appropriateness of the basis used to measure revenue.</p> <p>We identified the application of the accounting standard Ind AS 115 'Revenue from contracts with customers' as a key audit matter</p> | <p>The primary procedures we performed in addressing this key audit matter included:</p> <ul style="list-style-type: none"> – Considering the appropriateness of Company's revenue recognition policy and its compliance in terms of Ind AS 115 "Revenue from contracts with customers". – Assessing the design and testing the operating effectiveness of internal controls related to revenue recognition. – Performing sample tests of individual revenue contracts and other related documents. – Assessing the relevant disclosures made within the Ind AS financial statements. |

Other Information

The Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Company's 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, 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 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 the 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, 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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 made by management.
- Conclude on the appropriateness of management's 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.

(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 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2019 from being appointed as a director in terms of Section 164(2) of the Act.
- f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".

(B) With respect to the other matters to be included in the 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 2019 on its financial position in its standalone financial statements - Refer Note 38 to the standalone financial statements;
- ii. The Company has long term contracts as at 31 March 2019 for which there were no material foreseeable losses. The Company did not have any long-term derivative contracts as at 31 March 2019.
- iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
- 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 2019.

(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 any director is not in excess of the limit laid down under Section 197 of the Act. 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

Manish Gupta

Partner

(Membership No. 095037)

Place: Gurugram
Date: 30 May, 2019

Annexure A To Independent Auditors' Report

To the Members of HCL Infosystems Limited on the standalone financial statement for the year ended 31 March 2019, 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 | 3.13 |

- (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.
- (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 2019, for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, there are no dues of Income-tax, Sales tax, Service tax, Duty of custom, 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:

| Nature of the statute | Nature of dues | Amount (₹ in crores) | Amount deposited (₹ in crores) | Period to which the amount relates | Forum where the dispute is pending |
|-----------------------|----------------|----------------------|--------------------------------|-------------------------------------|---|
| Income tax Act, 1961 | Income tax | 1.63 | - | 2004-2005 2005-2006 2006-2007 | Assessing Officer/Income tax Appellate tribunal/CIT |
| Income tax Act, 1961 | Income tax | 3.00 | - | 2011-2012 | CIT (Appeal) |
| Income tax Act, 1961 | Income tax | 0.78 | - | 2012-2013 | CIT (Appeal) |

| Nature of the statute | Nature of dues | Amount (₹ in crores) | Amount deposited (₹ in crores) | Period to which the amount relates | Forum where the dispute is pending |
|--|----------------|-------------------------|--------------------------------------|--|---|
| Income tax Act, 1961 | Income tax | 19.19 | - | 2013-2014 | Income tax Appellate Tribunal |
| Income tax Act, 1961 | Income tax | 0.22 | - | 2014-2015 | CIT (Appeal) |
| Central Excise Act, 1944. | Excise | 7.04 | 1.40 | 2002 -2013 | Commissioner of Appeals/ CESTAT/ High Court |
| Customs Tariff Act, 1975 | Custom | 40.47 | 5.00 | 2005-2009 | CESTAT |
| Finance Act, 1994 | Service Tax | 430.17 | 19.49 | 2003 -2016 | CESTAT/High Court/ Commissioner of Appeals |
| Andhra Pradesh Value Added Tax Act, 2005 | Sales Tax | 0.07 | - | 2008-09 | Deputy Commissioner Appeals |
| Bihar Value Added Tax Act, 2005 | Sales Tax | 13.14 | 5.27 | 2006-07 2016 -17 | Joint Commissioner Appeals/ High Court / Assistant Commissioner of Sales tax |
| Delhi Sales Tax Act, 1975 | Sales Tax | 0.08 | 0.01 | 2003 -2006 | Assistant Commissioner Sales tax/Joint Commissioner Appeals/ Tribunal Sales Tax |
| Delhi Value Added Tax Act, 2004 | Sales Tax | 12.88 | 1.26 | 2006 – 2014 | Tribunal of Sales tax/ Deputy Commissioner Appeals |
| Gujarat Value Added Tax Act, 2003 | Sales Tax | 0.21 | 0.04 | 2013-14 | Assistant Commissioner of Sales tax (Gujrat) |
| Haryana Value Added Tax Act | Sales Tax | 2.12 | - | 2011-15 | Assessing Authority |
| Himachal Pradesh Value Added Tax Act, 2005 | Sales Tax | 0.02 | 0.10 | 2006-07 2012 -13 | Assistant Commissioner of Sales tax |
| Jammu & Kashmir Value Added tax Act, 2005 | Sales Tax | 2.71 | 0.04 | 2008-09 | Deputy Commissioner Appeals |
| Jharkhand Value Added Tax Act, 2005 | Sales Tax | 1.34 | 0.05 | 2011-12 | Joint Commissioner Appeals |
| Karnataka Value Added Tax Act, 2003 | Sales Tax | 1.96 | 2.04 | 2006-07 2012-13 | Deputy Commissioner Appeals/ Assessing Officer / High Court |
| Kerala General Sales Tax Act, 1963 | Sales Tax | 1.35 | 0.89 | 2001-17 | Tribunal of Sales Tax / Deputy Commissioner Appeals/ Commercial Tax Officer |
| M.P. Value Added Tax Act, 2002 | Sales Tax | 0.25 | 0.17 | 2011-14 | Joint Commissioner Appeals |

| Nature of the statute | Nature of dues | Amount (₹ in crores) | Amount deposited (₹ in crores) | Period to which the amount relates | Forum where the dispute is pending |
|--|----------------|-------------------------|--------------------------------------|--|---|
| Maharashtra Value Added Tax Act, 2002 | Sales Tax | 4.66 | 1.16 | 2004-13 | Joint Commissioner Appeals |
| Orissa Value Added Tax Act, 2004 | Sales Tax | 2.12 | 0.24 | 2012-14 | Deputy Commissioner Appeals / High Court |
| Punjab Value Added Tax Act, 2005 | Sales Tax | 7.50 | 0.56 | 2007-08 2010-11 | Deputy Commissioner Appeals / High Court |
| Rajasthan Value Added Tax Act, 2003 | Sales Tax | 181.48 | 80.03 | 2001-02 2006-07 2007-08 2008-09 2009-10 2010-11 2011-12 2012-13 2013-14 2014-15 2015-16 2016-17 | Commercial Tax Officer / High Court/ Deputy Commissioner Appeals/ tribunal of Sales tax |
| Tamilnadu Value Added Tax Act, 2006 | Sales Tax | 0.34 | 6.68 | 2004-05 2006-07 2008-09 2013-14 2015-16 | Commercial tax Officer / Deputy Commissioner Appeals |
| The Uttaranchal Value Added Tax Act-2005 | Sales Tax | 0.62 | 0.55 | 2005-06 2011-12 2012-13 2013-14 | Deputy Commissioner Commercial Tax |
| U.P. Trade Tax Act, 1948 | Sales Tax | 0.81 | 4.35 | 2002-08 | Assessing Officer / Tribunal of Sales Tax / High Court |
| U.P. Value Added Tax Act, 2008 | Sales Tax | 16.13 | 5.15 | 2008 -16 | Additional Commissioner (Appeals) / Joint Commissioner Appeals / Tribunal of Sales Tax / Commercial Tax Officer |
| West Bengal Sales Tax Act, 1994 | Sales Tax | 8.23 | 2.73 | 2006-16 | Board of Sales Tax / Additional Commissioner Appeals / Tribunal of Sales Tax |

- (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 are no debentures issued during the year or outstanding as at 31 March 2019.
- (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, 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.



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- (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's Registration No. 116231W/W-100024

Place: Gurugram
Date: 30 May 2019

Manish Gupta

Partner

Membership No.: 095037

Annexure B To Independent Auditors' Report

Annexure B to the Independent Auditors' report on the standalone financial statements of HCL Infosystems Limited for the period ended 31 March 2019.

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 1(A)(f) under 'Report on other Legal and Regulatory Requirements' section of our report of even date)

Opinion

We have audited the internal financial controls with reference to standalone financial statements of HCL Infosystems Limited ("the Company") as of 31 March 2019 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 2019, 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



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authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial controls with Reference to Financial Statements

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

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

Place: Gurugram
Date: 30 May 2019

Manish Gupta
Partner
Membership No.: 095037

Standalone Balance Sheet

as at March 31, 2019

| | | Notes | As at 31.03.2019 ₹/Crores | | As at 31.03.2018 ₹/Crores | |
|---|-------------|-------|------------------------------|-----------------|------------------------------|-----------------|
| I. ASSETS | | | | | | |
| (1) Non-current assets | | | | | | |
| Property, plant and equipment | 3 (a) | | 58.24 | | 79.84 | |
| Capital work-in-progress | 3(b) | | 0.04 | | - | |
| Intangible assets | 4 | | 0.94 | | 2.11 | |
| Financial Assets | | | | | | |
| (i) Investments | 5 | | 0.04 | | 56.09 | |
| (ii) Other financial assets | 7 | | 71.68 | | 1.41 | |
| Deferred tax assets (net) | 8 | | 63.55 | | 63.55 | |
| Advance income tax (net) | 9 | | 41.95 | | 26.01 | |
| Other non-current assets | 10 | | 145.96 | 382.40 | 144.14 | 373.15 |
| (2) Current assets | | | | | | |
| Inventories | 11 | | 85.30 | | 278.57 | |
| Financial Assets | | | | | | |
| (i) Investments | 6 | | - | | 107.19 | |
| (ii) Trade receivables | 12 | | 379.55 | | 562.73 | |
| (iii) Cash and cash equivalents | 13 | | 102.82 | | 45.49 | |
| (iv) Bank balances other than (iii) above | 14 | | 52.48 | | 11.98 | |
| (v) Loans | 15 | | 515.59 | | 716.57 | |
| (vi) Other financial assets | 16 | | 72.71 | | 70.49 | |
| Other current assets | 17 | | 92.35 | 1,300.80 | 86.49 | 1,879.51 |
| Assets held for sale | 51 (a), (b) | | | 14.26 | | 5.99 |
| Total Assets | | | | 1,697.46 | | 2,258.65 |
| II. EQUITY AND LIABILITIES | | | | | | |
| (1) Equity | | | | | | |
| Equity share capital | 18 | | 65.84 | | 65.84 | |
| Other equity | 19 | | 212.99 | 278.83 | 420.31 | 486.15 |
| (2) Liabilities | | | | | | |
| Non-current liabilities | | | | | | |
| Financial liabilities | | | | | | |
| (i) Borrowings | 20 | | 94.40 | | 93.51 | |
| Provisions | 21 | | 6.02 | 100.42 | 4.57 | 98.08 |
| Current liabilities | | | | | | |
| Financial liabilities | | | | | | |
| (i) Borrowings | 22 | | 494.99 | | 819.75 | |
| (ii) Trade payables | 23 | | 522.28 | | 653.76 | |
| (iii) Other financial liabilities | 24 | | 264.44 | | 169.32 | |
| Other current liabilities | 25 | | 28.99 | | 22.42 | |
| Provisions | 26 | | 7.51 | 1,318.21 | 9.17 | 1,674.42 |
| Total Equity and Liabilities | | | | 1,697.46 | | 2,258.65 |
| 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

Manish Gupta

Partner

Membership Number - 095037

Gurugram, May 30, 2019

For and on behalf of the Board of Directors of

HCL Infosystems Limited

Rangarajan Raghavan

Managing Director

DIN - 07932761

Kapil Kapur

Chief Financial Officer

Noida, May 30, 2019

Kaushik Dutta

Director

DIN - 03328890

Sushil Kumar Jain

Company Secretary

Standalone Statement of Profit and Loss for the year ended March 31, 2019

| | Notes | Year ended 31.03.2019 ₹/Crores | | Year ended 31.03.2018 ₹/Crores | |
|---|-------|-----------------------------------|-----------------|-----------------------------------|----------|
| Income : | | | | | |
| Revenue from operations | 27 | | 3,581.45 | | 2,950.30 |
| Other income | 28 | | 60.07 | | 54.38 |
| Total income | | | 3,641.52 | | 3,004.68 |
| Expenses : | | | | | |
| " | | | 0.04 | | 0.35 |
| Cost of materials consumed" | | | | | |
| Purchase of stock-in-trade | | | 3,251.72 | | 3,037.98 |
| Changes in inventories of finished goods, stock-in-trade | 29 | | 193.50 | | (219.73) |
| Other direct expense | 30 | | 28.36 | | 27.55 |
| Employee benefits expense | 31 | | 65.88 | | 58.96 |
| Finance costs | 32 | | 103.37 | | 114.35 |
| Depreciation and amortization expense | 3,4 | | 8.38 | | 4.44 |
| Other expenses | 33 | | 63.37 | | 57.66 |
| Total expenses | | | 3,714.62 | | 3,081.56 |
| Loss before exceptional items and tax | | | (73.10) | | (76.88) |
| Exceptional items | 37 | | (133.23) | | (553.62) |
| Loss before tax | | | (206.33) | | (630.50) |
| Income tax expense: | | | | | |
| Current tax | | - | - | - | - |
| Deferred tax | 49 | - | - | 1.07 | 1.07 |
| Loss for the year | | | (206.33) | | (631.57) |
| Other comprehensive income | | | | | |
| A. Items that will not be reclassified to profit or loss | | | | | |
| (i) Gain/(loss) on remeasurement of defined benefit plan | 46 | (0.99) | | 0.25 | |
| (ii) Income tax relating to items that will not be reclassified to profit or loss | | - | (0.99) | (0.08) | 0.17 |
| Total comprehensive loss for the year | | | (207.32) | | (631.40) |
| Earnings per share (in ₹) | 44 | | | | |
| - Basic and diluted (of ₹ 2/- each) | | | (6.27) | | (24.66) |
| 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

Manish Gupta

Partner

Membership Number - 095037

For and on behalf of the Board of Directors of

HCL Infosystems Limited

Rangarajan Raghavan

Managing Director

DIN - 07932761

Kapil Kapur

Chief Financial Officer

Noida, May 30, 2019

Kaushik Dutta

Director

DIN - 03328890

Sushil Kumar Jain

Company Secretary

Gurugram, May 30, 2019

Standalone Cash Flow Statement for the year ended March 31, 2019

| Notes | | Year ended 31.03.2019 ₹/Crores | | Year ended 31.03.2018 ₹/Crores | |
|---|--|-----------------------------------|-----------------|-----------------------------------|----------|
| 1. Cash Flow from Operating Activities: | | | | | |
| Loss before tax | | | (206.33) | | (630.50) |
| Adjustments for: | | | | | |
| Depreciation and amortisation expense | | 8.38 | | 4.44 | |
| Finance cost | | 103.37 | | 114.35 | |
| Interest income | | (26.93) | | (25.49) | |
| Dividend income | | (1.65) | | (2.65) | |
| Net profit on sale of property, plant and equipment | | (0.03) | | (1.68) | |
| Property, plant and equipment written-off | | 0.00 | | 0.02 | |
| Gain on sale of investment carried at FVTPL | | (3.34) | | (0.82) | |
| Diminution other than temporary in the value of long term investment | | 56.05 | | 473.43 | |
| Provision against inter Company deposits given to subsidiaries | | 78.83 | | 80.19 | |
| Exchange difference on translation of foreign currency cash and cash equivalent | | 0.10 | | (0.71) | |
| Provisions/liabilities no longer required written back | | (4.18) | 210.60 | (11.13) | 629.95 |
| Operating profit before working capital changes | | | 4.27 | | (0.55) |
| Changes in operating assets and liabilities | | | | | |
| - Decrease / (Increase) in trade receivables | | 183.18 | | (138.15) | |
| - Increase in non-current assets | | (72.07) | | (25.47) | |
| - Increase in current assets | | (10.77) | | (106.06) | |
| - (Increase) / decrease in inventories | | 193.27 | | (219.10) | |
| - Increase in non current liabilities | | 1.46 | | (0.76) | |
| - (Decrease)/ Increase in current liabilities | | (148.41) | 146.66 | 253.94 | (235.60) |
| Cash used in operations | | | 150.93 | | 236.14 |
| - Taxes (paid) / received | | | (15.94) | | (17.23) |
| Net cash used in operating activities | | (A) | 134.99 | | 253.37 |
| 2. Cash flow from investing activities: | | | | | |
| Purchase of fixed assets (including intangible assets) | | (0.64) | | (10.60) | |
| Proceeds from sale of fixed assets | | 0.55 | | 2.42 | |
| Proceeds from sale of current investments | | 110.53 | | 384.50 | |
| Purchase of current investments | | - | | (370.01) | |
| Interest received | | 28.05 | | 26.60 | |
| Redemption/maturity of bank deposits (with original maturity of more than three months) | | (40.38) | | (10.13) | |
| Movement in margin money account | | (0.12) | | 1.67 | |
| Movement in balances with banks on dividend account | | 0.50 | | 0.66 | |
| Dividend received on current investments | | 1.65 | | 2.65 | |
| Inter corporate deposits given | | (509.97) | | (1,863.45) | |
| Inter corporate deposits received back | | 593.38 | | 1,454.60 | |
| Sale of investment in subsidiary | | 14.96 | 198.51 | - | 381.07 |
| Net cash (used in) / from investing activities | | (B) | 198.51 | | (381.07) |

| | Notes | Year ended 31.03.2019 | | Year ended 31.03.2018 | |
|---|---------|-----------------------|-----------------|-----------------------|---------|
| | | ₹/Crores | | ₹/Crores | |
| 3. Cash Flow from Financing Activities: | | | | | |
| Share capital issued | | - | | 21.26 | |
| Securities premium received (net) | | - | | 474.22 | |
| Proceeds from loans and borrowings | | 1,274.90 | | 1,772.39 | |
| Repayment of loans and borrowings | | (1,449.05) | | (1,540.42) | |
| Interest paid | | (101.41) | | (115.26) | |
| Dividend paid | | (0.50) | (276.06) | (0.66) | 611.53 |
| Net cash from financing activities | (C) | | (276.06) | | 611.53 |
| Net decrease in cash and cash equivalents | (A+B+C) | | 57.43 | | (22.90) |
| Opening balance of cash and cash equivalents | | | 45.49 | | 67.68 |
| Exchange difference on translation of foreign currency cash and cash equivalent | | | (0.10) | | 0.71 |
| Closing balance of cash and cash equivalents | | | 102.82 | | 45.49 |
| Cash and cash equivalents comprise of | | | 102.82 | | 45.49 |
| Cash, cheques and drafts (on hand) | | | 17.78 | | 11.89 |
| Balances with banks on current accounts | | | 21.21 | | 33.60 |
| Balances with banks on deposits accounts | | | 63.83 | | - |

Notes:

Figures in brackets indicate cash outflow.

This is the cash flow statement referred to in our report of even date attached
As per our report of even date attached

For B S R & Associates LLP

Chartered Accountants

ICAI Registration Number-116231W/W-100024

Manish Gupta

Partner

Membership Number - 095037

Gurugram, May 30, 2019

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

Rangarajan Raghavan

Managing Director

DIN - 07932761

Kapil Kapur

Chief Financial Officer

Noida, May 30, 2019

Kaushik Dutta

Director

DIN - 03328890

Sushil Kumar Jain

Company Secretary

Standalone Statement of Changes in Equity for the year ended March 31, 2019

a. Equity Share Capital

₹/Crores

| | Number of Equity Shares | Equity Share Capital |
|-------------------------------------|-------------------------|----------------------|
| Balance as at 01.04.2017 | 222,919,629 | 44.58 |
| Add : Issue of equity share capital | 106,290,299 | 21.26 |
| Balance as at 31.03.2018 | 329,209,928 | 65.84 |
| Balance as at 01.04.2018 | 329,209,928 | 65.84 |
| Balance as at 31.03.2019 | 329,209,928 | 65.84 |

b. Other Equity

₹/Crores

| Particulars | Reserves and Surplus | | | Total |
|---|----------------------------|-----------------|-------------------|---------------|
| | Securities Premium Reserve | General Reserve | Retained Earnings | |
| Balance as at 01.04.2017 | 720.16 | 215.83 | (358.50) | 577.49 |
| Loss for the year | - | - | (631.57) | (631.57) |
| Other comprehensive income for the year | - | - | 0.17 | 0.17 |
| On issue of shares | 474.22 | - | - | 474.22 |
| Balance as at 31.03.2018 | 1,194.38 | 215.83 | (989.90) | 420.31 |
| 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 |

As per our report of even date attached

For B S R & Associates LLP

Chartered Accountants

ICAI Registration Number-116231W/W-100024

Manish Gupta

Partner

Membership Number - 095037

Gurugram, May 30, 2019

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

Rangarajan Raghavan

Managing Director

DIN - 07932761

Kapil Kapur

Chief Financial Officer

Noida, May 30, 2019

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 30.05.2019.

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

(i) Compliance with Ind AS

The financial statements comply in all material aspects 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.

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following which have been measured at fair value:

- Certain Financial assets and liabilities, including derivative financial instruments, which are being measured at fair value
- Defined benefit plans – plan assets measured at fair value

2.2 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.

2.3 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.

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.

Notes to the Standalone Financial Statements

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.

2.4 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 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.

Notes to the Standalone Financial Statements

2.5 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.

2.6 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 |
|----------|-----------|

2.7 Leases

As a Lessee

Leases of property, plant and equipment where the Company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings or other financial liabilities as appropriate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to statement of profit and loss on a straight-line basis over the period of the lease unless the

Notes to the Standalone Financial Statements

payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

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.

2.8 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.

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.

Notes to the Standalone Financial Statements

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 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 up to twelve months after the reporting date.

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.

2.9 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

Notes to the Standalone Financial Statements

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.

2.10 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.

2.11 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.

2.12 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.

2.13 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.

Notes to the Standalone Financial Statements

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.

2.14 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 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.

2.15 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.

2.16 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

Notes to the Standalone Financial Statements

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.

2.17 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.

2.18 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.

Notes to the Standalone Financial Statements

2.19 Revenue recognition

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

Effective 01.04.2018, the Company has applied Ind AS 115 which establishes a comprehensive framework for determining whether, how much and when revenue is to be recognised. Ind AS 115 replaces Ind AS 18 Revenue and Ind AS 11 Construction Contracts. The Company has adopted Ind AS 115 using the cumulative effect method. The effect of initially applying this standard is recognised at the date of initial application (i.e. 01.04.2018). The standard is applied retrospectively only to contracts that are not completed as at the date of initial application and the comparative information in the statement of profit and loss is not restated – i.e. the comparative information continues to be reported under Ind AS 18 and Ind AS 11. Refer note 2.18 – Significant accounting policies – Revenue recognition in the Annual report of the Company for the year ended 31.03.2018, for the revenue recognition policy as per Ind AS 18 and Ind AS 11. The impact of the adoption of the standard on the financial statements of the Company is insignificant.

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.

2.20 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 the Standalone 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 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 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.

2.21 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.

Notes to the Standalone Financial Statements

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.

2.22 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.

2.23 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.

2.24 Recent accounting pronouncements

As set out below, amendments to standards are effective for annual periods beginning on or after 01.04.2019, and have not been applied in preparing these financial statements.

Ind AS 116 – Leases

Ind AS 116 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. Ind AS 116 will replace the existing leases standard, Ind AS 17 Leases, and related interpretations.

On completion of evaluation of the effect of adoption of Ind AS 116, the Company is proposing to use the 'Modified Retrospective Approach' for transitioning to Ind AS 116, and take the cumulative adjustment to retained earnings, on the date of initial application (01.04.2019). Accordingly, comparatives for the year ending or ended 31.03.2019 will not be retrospectively adjusted. The effect of adoption as on transition date would not be significant.

The effective date for adoption of Ind AS 116 is annual periods beginning on or after 01.04.2019.

Ind AS 12 – Income taxes (amendments relating to uncertainty over income tax treatments)

The amendment to Appendix C of Ind AS 12 specifies that the amendment is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. It outlines the following: (1) the entity has to use judgement, to determine whether each tax treatment should be considered separately or whether some can be considered together. The decision should be based on the approach which provides better predictions of the resolution of the uncertainty (2) the entity is to assume that the taxation authority will have full knowledge of all relevant information while examining any amount (3) entity has to consider the probability of the relevant taxation authority accepting the tax treatment and the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates would depend upon the probability. The Company does not expect any significant impact of the amendment on its financial statements.

Notes to the Standalone Financial Statements

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 01.04.2018 | 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 |
| 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 | - | - | 7.65 | - | - | - | - | 7.65 |
| Buildings | 48.32 | - | 15.12 | 33.20 | 3.50 | 1.28 | 0.86 | 3.92 | 29.28 |
| 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.

* 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)}.

₹/Crores

| Particulars | Gross Carrying Amount | | | | Accumulated Depreciation | | | | Net Carrying Amount |
|------------------------|-----------------------|-------------|----------------------|------------------|--------------------------|-------------|----------------------|------------------|---------------------|
| | As at 01.04.2017 | Additions | Disposal/ Adjustment | As at 31.03.2018 | As at 01.04.2017 | Additions | Disposal/ Adjustment | As at 31.03.2018 | As at 31.03.2018 |
| Leasehold land | 12.33 | - | - | 12.33 | 0.28 | 0.16 | - | 0.44 | 11.89 |
| Leasehold improvements | - | 1.47 | - | 1.47 | - | - | - | - | 1.47 |
| Freehold land | 7.65 | - | - | 7.65 | - | - | - | - | 7.65 |
| Buildings | 49.04 | - | 0.72 | 48.32 | 2.26 | 1.29 | 0.05 | 3.50 | 44.82 |
| Plant and machinery | 3.30 | 0.30 | 0.02 | 3.58 | 1.17 | 0.49 | 0.02 | 1.64 | 1.94 |
| Furniture and fixtures | 5.58 | 0.69 | 0.06 | 6.21 | 1.30 | 1.05 | 0.04 | 2.31 | 3.90 |
| Office equipment | 1.96 | 0.69 | 0.03 | 2.62 | 1.02 | 0.01 | 0.02 | 1.01 | 1.61 |
| Vehicles | 2.68 | 0.20 | 0.08 | 2.80 | 0.99 | 0.68 | 0.06 | 1.61 | 1.19 |
| Computers | 2.40 | 5.10 | 0.54 | 6.96 | 1.43 | 0.66 | 0.50 | 1.59 | 5.37 |
| Total | 84.94 | 8.45 | 1.45 | 91.94 | 8.45 | 4.34 | 0.69 | 12.10 | 79.84 |

Note:

Land and Building at Ambattur amounting to ₹ 3.20 Crores (2017 - ₹ 3.24 Crores) are pending for registration in the name of the Company.

3 (b) Capital work-in-progress

| Particulars | As at 01.04.2018 | Addition | Capitalisation /Adjustment | As at 31.03.2019 |
|--------------------------|------------------|----------|----------------------------|------------------|
| Capital work-in-progress | - | 0.04 | - | 0.04 |

Notes to the Standalone Financial Statements

4 Intangible Assets

The changes in carrying value of intangible assets

₹/Crores

| Particulars | Gross Carrying Amount | | | | Accumulated Amortisation | | | | Net Carrying Amount |
|--------------|-----------------------|------------------------|----------------------|------------------|--------------------------|------------------------|----------------------|------------------|---------------------|
| | As at 01.04.2018 | 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 |
| 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 |

₹/Crores

| Particulars | Gross Carrying Amount | | | | Accumulated Amortisation | | | | Net Carrying Amount |
|--------------|-----------------------|-------------|----------------------|------------------|--------------------------|-------------|----------------------|------------------|---------------------|
| | As at 01.04.2017 | Additions | Disposal/ Adjustment | As at 31.03.2018 | As at 01.04.2017 | Additions | Disposal/ Adjustment | As at 31.03.2018 | As at 31.03.2018 |
| Software | 0.35 | 2.02 | - | 2.37 | 0.16 | 0.10 | - | 0.26 | 2.11 |
| Total | 0.35 | 2.02 | - | 2.37 | 0.16 | 0.10 | - | 0.26 | 2.11 |

| | As at 31.03.2019 | | As at 31.03.2018 | |
|---|------------------|-----------------|------------------|-----------------|
| | Units | Amount ₹/Crores | Units | Amount ₹/Crores |
| 5 Non-current investments | | | | |
| Unquoted | | | | |
| Investments in equity instruments of subsidiaries (At cost) | | | | |
| Digilife Distribution and Marketing Services Limited | 56,050,000 | 56.05 | 56,050,000 | 56.05 |
| Pimpri Chinchwad eServices Limited | 42,500 | 0.04 | 42,500 | 0.04 |
| HCL Infotech Limited | 220,300 | 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 | | 834.92 |
| Total investments in equity instruments of subsidiaries | | 0.04 | | 56.09 |
| * Impairment includes impairment for investment in Digilife Distribution and Marketing Services Limited ₹ 56.05 (2018 - Nil) HCL Infotech Limited ₹ 668.46 (2018 - ₹ 668.46 crores) and HCL Learning Limited ₹ 166.46 (2018 - ₹ 166.46 crores) Refer Note 37. | | | | |
| Aggregate book value of unquoted investments | | 0.04 | | 56.09 |
| Aggregate amount of impairment in the value of investments | | 890.97 | | 834.92 |

Notes to the Standalone Financial Statements

| | As at 31.03.2019 | | As at 31.03.2018 | |
|---|------------------|--------------------|------------------|--------------------|
| | Units | Amount ₹/Crores | Units | Amount ₹/Crores |
| 6 Current investments | | | | |
| <u>Unquoted (Others)</u> | | | | |
| <u>Investment in mutual funds at FVTPL</u> | | | | |
| (i) Growth options | | | | |
| Aditya Birla Sunlife Cash Plus | - | - | 767,158 | 21.34 |
| ICICI Prudential Liquid Fund | - | - | 390,694 | 10.02 |
| UTI Liquid Cash Plan | - | - | 71,292 | 20.23 |
| Sub-total (A) | | - | | 51.59 |
| (ii) Dividend options | | | | |
| Axis Treasury Advantage Fund # | - | - | 452,220 | 45.61 |
| UTI Treasury Advantage Plan # | - | - | 99,438 | 9.99 |
| Sub-total (B) | | - | | 55.60 |
| Total current investment (A+B) | | - | | 107.19 |
| Aggregate amount unquoted investments | | - | | 107.19 |
| # Under lien with bank | | | | |

| | As at 31.03.2019 | | As at 31.03.2018 | |
|---|------------------|--------------------|------------------|--------------------|
| | | Amount ₹/Crores | | Amount ₹/Crores |
| 7 Other non-current financial assets | | | | |
| Security deposits | | 0.86 | | 0.90 |
| Bank deposits with original maturity of more than twelve months | | - | | 0.51 |
| Business consideration receivable | | 70.82 | | - |
| | | 71.68 | | 1.41 |
| 8 Deferred tax assets (net) | | | | |
| Deferred tax assets (refer note 49) | | 63.55 | | 63.55 |
| | | 63.55 | | 63.55 |
| 9 Advance income tax asset (Net) | | | | |
| Advance income tax [Provision for income tax of ₹ 46.65 crores (2018 - ₹ 46.65 crores)] | | 41.95 | | 26.01 |
| | | 41.95 | | 26.01 |

Notes to the Standalone Financial Statements

| | As at 31.03.2019 | | As at 31.03.2018 | |
|--|------------------|--------------------|------------------|--------------------|
| | | Amount ₹/Crores | | Amount ₹/Crores |
| 10 Other non-current assets | | | | |
| <u>Unsecured</u> | | | | |
| Capital advances | | 0.19 | | 0.19 |
| Deposits with tax authorities | | 145.77 | | 143.95 |
| <u>Considered doubtful</u> | | | | |
| Capital advances | 0.50 | | 0.50 | |
| Less: Allowance for doubtful loans and advances | 0.50 | - | 0.50 | - |
| | | 145.96 | | 144.14 |
| 11 Inventories | | | | |
| Raw materials and components [Including in-transit ₹ 0.02 crores (2018 - ₹ 0.02 crores)] | | 0.27 | | 0.06 |
| Finished goods [Including in-transit Nil (2018 - ₹ 0.05 crores)] | | 0.16 | | 0.18 |
| Stock-in-trade [Including in-transit ₹ 11.42 crores (2018 - ₹ 33.21 crores)] | | 84.65 | | 278.13 |
| Stores and spares | | 0.22 | | 0.20 |
| | | 85.30 | | 278.57 |
| Write - downs of inventories to net realisable value recognised as an expense during the year amounts to ₹ 2.45 crores (2018 - ₹ 2.94 crores). These were included in changes in value of inventories of stock-in-trade and finished goods' in standalone statement of profit and loss. | | | | |
| 12 Trade receivables (refer Note 47) | | | | |
| <u>Unsecured:</u> | | | | |
| Considered good | 379.55 | | 562.73 | |
| Considered doubtful | 35.93 | | 30.34 | |
| | 415.48 | | 593.07 | |
| Less : Allowance for doubtful debts | 35.93 | 379.55 | 30.34 | 562.73 |
| 13 Cash and cash equivalents | | | | |
| <u>Balances with banks</u> | | | | |
| - Current account | | 21.21 | | 33.60 |
| Cheques on hand | | 17.78 | | 11.89 |
| Bank deposits with original maturity of three months or less | 64.14 | | 0.31 | |
| Less: Money held in trust | 0.31 | 63.83 | 0.31 | - |
| | | 102.82 | | 45.49 |
| There are no repatriation restrictions with regard to cash and cash equivalents as at the end of the reporting period and prior periods. | | | | |

Notes to the Standalone Financial Statements

| | As at 31.03.2019 | | As at 31.03.2018 | |
|---|------------------|--------------------|------------------|--------------------|
| | | Amount ₹/Crores | | Amount ₹/Crores |
| 14 Other bank balances | | | | |
| Bank deposits with upto twelve months* | | 50.79 | | 9.90 |
| Balances with banks | | | | |
| - On dividend account | | 0.12 | | 0.62 |
| - On margin account | | 1.57 | | 1.46 |
| | | 52.48 | | 11.98 |
| * includes ₹ 15 crores (2018-₹ 5.90 crores) lien marked with Banks. | | | | |
| 15 Loans | | | | |
| Unsecured | | | | |
| Considered good | | | | |
| Loans and advances to subsidiaries (refer note 47) | | 515.59 | | 716.57 |
| Considered doubtful | | | | |
| Loans and advances to subsidiaries (refer note 47) | 242.56 | | 163.72 | |
| Less: Allowance for doubtful loans and advances to subsidiaries | 242.56 | - | 163.72 | - |
| | | 515.59 | | 716.57 |
| Unsecured loan given to subsidiaries is repayable on demand and carries interest rate 6.67%-7.25%. | | | | |
| 16 Other current financial assets | | | | |
| Considered good | | | | |
| Security deposits | | 0.07 | | 3.31 |
| Claims recoverable from vendor | | 56.12 | | 63.42 |
| Unbilled revenue | | 12.36 | | 2.72 |
| Others* | | 4.16 | | 1.04 |
| Considered doubtful | | | | |
| Others (includes employee advances, insurance claim recoverable) | 1.06 | | 1.06 | |
| Less: Allowance for doubtful loans and advances | 1.06 | - | 1.06 | - |
| | | 72.71 | | 70.49 |
| * includes ₹ 3.97 crores (2018 - ₹ 2.69 crores) recoverable from related parties and ₹ 3.10 crores of business consideration receivable from Qess Corp Limited. | | | | |

Notes to the Standalone Financial Statements

| | As at 31.03.2019 | | As at 31.03.2018 | |
|--|------------------|--------------------|------------------|--------------------|
| | | Amount ₹/Crores | | Amount ₹/Crores |
| 17 Other current assets | | | | |
| Unsecured | | | | |
| Considered good | | | | |
| Balances with customs, port trust, excise, sales tax and goods and service tax authorities | | 80.61 | | 73.32 |
| Advances to creditors | | 5.31 | | 3.83 |
| Prepaid expenses | | 4.48 | | 8.40 |
| Others recoverable | | 1.95 | | 0.94 |
| Considered Doubtful | | | | |
| Deposits and other advances | 6.59 | | 6.53 | |
| Less: Allowance for doubtful loans and advances | 6.59 | - | 6.53 | - |
| | | 92.35 | | 86.49 |
| 18 Share capital | | | | |
| Authorised | | | | |
| 55,25,00,000 Equity Shares (2018 - 55,25,00,000) of ₹ 2/- each | | 110.50 | | 110.50 |
| 5,00,000 Preference Shares (2018 - 5,00,000) of ₹ 100/- each | | 5.00 | | 5.00 |
| | | 115.50 | | 115.50 |
| Issued, Subscribed and Paid up | | | | |
| 32,92,09,928 Equity Shares (2018 - 32,92,09,928) of ₹ 2/- each | | 65.84 | | 65.84 |
| (Fully paid up) (Number of share issued: 2019- Nil, 2018- 106,290,299) | | 65.84 | | 65.84 |

Notes:

- (i) Paid up share capital includes :
 - a) 1,16,29,885 (2011 - 1,16,29,885) equity shares of ₹ 2/- each issued pursuant to the exercise of options granted under Employee Stock Option Scheme 2000.
 - b) 187,221 (2011 - 87,221) equity shares of ₹ 2/- each issued pursuant to the exercise of options granted under Employee Stock Based Compensation Plan 2005.
- (ii) 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.
- (iii) Shares reserved for issue under options:

For detail of shares reserved for issue under Employee Stock Option Plan of the Company, refer note 42.

Notes to the Standalone Financial Statements

| (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 42.

| | As at 31.03.2019 ₹/Crores | As at 31.03.2018 ₹/Crores |
|--|---------------------------------|---------------------------------|
| 19 Other Equity | | |
| A. Reserve and surplus | | |
| (a) Securities premium reserves | | |
| Opening balance | 1,194.38 | 720.16 |
| On issue of shares (net of issue related expenses amounting to Nil (2018 - ₹ 3.99 crores)) | - | 474.22 |
| 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 | (989.90) | (358.50) |
| Net Loss for the year | (206.33) | (631.57) |
| Remeasurement of post employment benefit obligation, net of tax | (0.99) | 0.17 |
| Closing balance | (1,197.22) | (989.90) |
| | 212.99 | 420.31 |
| 20 Non-current borrowings | | |
| Secured: | | |
| Term loans | | |
| - From banks | - | 6.09 |
| - From others | - | 1.18 |
| | - | 7.28 |
| Unsecured: | | |
| Term Loans | | |
| - From others | 94.40 | 86.23 |
| | 94.40 | 86.23 |
| | 94.40 | 93.51 |

Notes:

- Secured term loan from bank and others amounting to ₹ 7.18 crores (2018 - ₹ 19.46 crores), out of which ₹ 7.18 crores (2018 - ₹ 12.18 crores) is shown under current maturity of long term debt, is secured by way of (a) First pari passu

Notes to the Standalone Financial Statements

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 ₹ 24.84 crores (2018 - ₹ 55.60 crores in mutual funds). The loan is repayable in 13 quarterly installments starting from September 2016 and carries interest @ 10.05 % to 10.55% p.a.

2. Unsecured term loans from others amounting to ₹ 242.65 crores (2018 - ₹ 192.96 crores), out of which ₹ 148.25 crores (2018 - ₹ 106.73 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.
3. Unsecured term loans from others amounting to Nil (2018 - ₹ 1.70 crores), out of which Nil (2018 - ₹ 1.70 crores) is shown under current maturity of long term debt, is repayable in 1 quarterly, 1 half yearly and balance 16 quarterly installments from the date of the disbursement which carries interest @ 13.04 % p.a.
4. Secured term loans from bank amounting to ₹ 74.45 crores (2018 - Nil), out of which ₹ 74.45 crores (2018 - Nil) is shown under current maturity of long term debt, is secured by way of subservient charge on current and movable fixed assets of the Company and is repayable in 4 equal quarterly instalments after a moratorium period of 6 months from the date of the disbursement which carries interest @ 9.65% to 10.75% p.a.
5. Long term debt, short term debt and current maturities of long term debts is net of the loan amounting to Nil (2018 - ₹ 0.19 crores) and Nil (2018 - ₹ 1.76 crores) respectively that the Company has transferred to its subsidiaries pursuant to the scheme of arrangement. However Company shall make repayments of such principal amounts and payments of interest or any other dues thereon on behalf of the respective transferee Companies (HCL Infotech Limited and HCL Learning Limited) and the respective transferee Companies shall be under an obligation to place with HCL Infosystems Limited funds at the relevant time so as to enable HCL Infosystems Limited to make payments to the lenders on or before their respective due dates.

Note: As at 31.03.2019, subsidiaries include HCL Infotech Limited and HCL Learning Limited.

| | As at 31.03.2019 ₹/Crores | As at 31.03.2018 ₹/Crores |
|--|---------------------------------|---------------------------------|
| 21 Non-current provisions | | |
| Provision for gratuity and other employee benefits | 6.02 | 4.57 |
| | 6.02 | 4.57 |
| 22 Current borrowings | | |
| Secured: | | |
| Loans from banks | | |
| - Term loans | 418.44 | 375.77 |
| - Cash credits | 16.29 | 58.08 |
| | 434.73 | 433.85 |
| Unsecured: | | |
| Loans repayable on demand | | |
| - From Banks* | 31.98 | 46.58 |
| - From others* | 28.28 | 171.91 |
| - From related parties | - | 20.00 |
| Commercial paper | - | 147.41 |
| | 60.26 | 385.90 |
| | 494.99 | 819.75 |

Notes to the Standalone Financial Statements

Notes:

1. Secured term loan from banks amounting to ₹ 124.37 crores (2018 - ₹ 99.80 crores) is secured by way of (1) First pari passu charge on all immovable, 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. It carries interest @ 9.70% to 9.80 % p.a.
2. Short term secured loan of ₹ 99.98 crores (2018 - ₹ 24.97 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 ₹ 99.98 crores is repayable in one year from the date of disbursement and carries interest @ 9 % p.a.
3. Secured loan (cash credit,WCDL and buyer's credit) from banks amounting to ₹ 36.29 crores (2018 - ₹ 139.08 crores) are secured by way of (1) First pari passu charge on all immovable, 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. Short term secured loan of ₹ 24.95 crores (2018 - ₹ 20 crores) is secured by way of subservient charge on current and movable fixed assets of the Company. Short term loan of ₹ 24.95 crores (2018 - ₹ 20 crores) is repayable after 6 months from the date of disbursement and carries interest @ 10.50% p.a.
5. Secured term loan from banks amounting to Nil (2018 - ₹ 50 crores) is 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. It carries interest @ 9% p.a.
6. Short term loan of Nil (2018 - ₹ 100 crores) is secured by way of subservient charge on current and movable fixed assets of the Company. Short term loan of Nil (2018 - ₹ 100 crores) is repayable in 3 months from the date of disbursement and carries interest @ 8.25% p.a.
7. Unsecured term loans from others amounting to Nil (2018 - ₹ 149.16 crores) against support from HCL Corporation Private Limited is repayable in 1 yearly installments from the date of the disbursement which carries interest @ 8.80% p.a.
8. Unsecured commercial papers from others amounting to Nil (2018 - ₹ 147.41 crores) is repayable in next 12 months from the date of availment of each tranche, which carries interest @ 8% to 10.80% p.a.
9. Unsecured intercorporate loan from HCL Corporation Private Limited amounting to Nil (2018 - ₹ 20 crores) is repayable in 2 months from the date of availment of each tranche, and carries interest @ 10% p.a.
10. Secured term loans from Banks amounting to ₹ 149.14 Crores (2018 - Nil) is secured by way of subservient charge on current assets of the Company, against support from HCL Corporation Private Limited and lien on fixed deposit for ₹ 15 crores is repayable in 1 yearly installments from the date of the disbursement which carries interest @ 8.75% p.a.

* Includes ₹ 60.26 crores (2018- ₹ 69.33 crores) of extended supplier's credit.

Note: As at 31.03.2019, subsidiaries include HCL Infotech Limited and HCL Learning Limited.

| | As at 31.03.2019 ₹/Crores | As at 31.03.2018 ₹/Crores |
|---|---------------------------------|---------------------------------|
| 23 Trade payables (refer note 47) | | |
| Trade payables | | |
| (a) Total outstanding dues of micro enterprises and small enterprises (refer note 39) and | 4.03 | 8.05 |
| (b) Total outstanding dues of creditors other than micro enterprises and small enterprises [includes acceptance ₹ 34.25 crores (2018 - ₹ 32.56 crores)] | 518.25 | 645.71 |
| | 522.28 | 653.76 |

Notes to the Standalone Financial Statements

| | As at 31.03.2019 ₹/Crores | As at 31.03.2018 ₹/Crores |
|--|--------------------------------------|--------------------------------------|
| 24 Other current financial liabilities | | |
| Current maturities of long-term debts (refer note 20) | 229.88 | 120.61 |
| Interest accrued but not due on borrowings | 5.69 | 3.73 |
| Other payable to related parties (refer note 47) | 14.11 | 14.11 |
| Deposits | 2.67 | 3.82 |
| Unpaid dividends* | 0.12 | 0.62 |
| Employee benefits payable | 11.75 | 12.26 |
| Capital creditors | 0.22 | 0.42 |
| Others | - | 13.75 |
| | 264.44 | 169.32 |
| * There are no amount due and outstanding to be credited to Investor Education and Protection Fund under Section 125 of the Companies Act, 2013. These shall be credited and paid to the fund as and when due. | | |
| 25 Other current liabilities | | |
| Deferred revenue | 0.56 | 0.88 |
| Advances received from customers | 17.69 | 17.11 |
| Statutory dues payable | 7.41 | 2.58 |
| Others | 3.33 | 1.85 |
| | 28.99 | 22.42 |
| 26 Current provisions | | |
| Provision for gratuity and other employee benefits | 2.66 | 5.46 |
| Provision for litigation {refer note 38 (c)} | 4.85 | 3.71 |
| | 7.51 | 9.17 |
| | | |
| | Year ended 31.03.2019 ₹/Crores | Year ended 31.03.2018 ₹/Crores |
| 27 Revenue from operations | | |
| Sale of products | 3,559.65 | 2,929.72 |
| Sale of services | 21.67 | 20.58 |
| Other operating revenue | | |
| - Scrap sale | 0.13 | - |
| | 3,581.45 | 2,950.30 |

Notes to the Standalone Financial Statements

| | Year ended 31.03.2019 ₹/Crores | Year ended 31.03.2018 ₹/Crores |
|---|--------------------------------------|--------------------------------------|
| 28 Other income | | |
| Interest Income from financial asset at amortised cost | | |
| - On fixed deposits (gross) | 4.25 | 3.18 |
| - On intercompany deposits | 22.69 | 22.31 |
| Dividend from investment in mutual funds | 1.65 | 2.65 |
| Gain on sale of investment carried at FVTPL | 3.34 | 0.82 |
| Net profit on sale of property, plant and equipment | 0.03 | 1.68 |
| Gain on foreign exchange fluctuation | 1.65 | 1.91 |
| Provisions/liabilities no longer required written back | 4.18 | 11.13 |
| Miscellaneous income | 22.28 | 10.71 |
| | 60.07 | 54.38 |
| 29 Changes in inventories of finished goods and stock-in-trade | | |
| Closing balance | | |
| - Finished goods (including in transit) | 0.16 | 0.18 |
| - Stock-in-trade | 84.65 | 278.13 |
| | 84.81 | 278.31 |
| Opening balance | | |
| - Finished goods (including in transit) | 0.18 | 0.11 |
| - Stock-in-trade | 278.13 | 58.47 |
| | 278.31 | 58.58 |
| Changes in inventories of finished goods and stock-in-trade | 193.50 | (219.73) |
| 30 Other direct expenses | | |
| Purchase of services | 17.08 | 8.70 |
| Spares and stores consumed | 11.28 | 18.81 |
| Excise duty | - | 0.04 |
| | 28.36 | 27.55 |
| 31 Employee benefits expense | | |
| Salaries, wages, bonus and gratuity | 63.18 | 56.40 |
| Contribution to provident and other funds (refer note 46) | 1.99 | 2.19 |
| Staff welfare expenses | 0.71 | 0.37 |
| | 65.88 | 58.96 |
| 32 Finance costs | | |
| Interest | 90.90 | 104.72 |
| Other borrowing costs | 12.47 | 9.63 |
| | 103.37 | 114.35 |

Notes to the Standalone Financial Statements

| | Year ended 31.03.2019 ₹/Crores | Year ended 31.03.2018 ₹/Crores |
|--|--------------------------------------|--------------------------------------|
| 33 Other expenses | | |
| Rent (refer note 43) | 8.29 | 6.94 |
| Rates and taxes | 1.62 | 3.46 |
| Printing and stationery | 0.44 | 0.45 |
| Communication | 1.44 | 1.34 |
| Travelling and conveyance | 3.99 | 4.36 |
| Packing, freight and forwarding | 3.85 | 4.59 |
| Legal, professional and consultancy charges (refer note 41) | 14.45 | 11.77 |
| Retainership expenses | 5.90 | 5.87 |
| Training and conference | 0.70 | 0.69 |
| Office electricity and water | 4.12 | 0.95 |
| Insurance | 5.26 | 3.59 |
| Advertisement, publicity and entertainment | 1.43 | 1.55 |
| Hire charges | 0.45 | 0.26 |
| Commission on sales | 0.65 | 1.47 |
| Bank charges | 7.55 | 5.83 |
| Allowance for doubtful debts | 5.23 | - |
| Property, plant and equipment written-off | 0.00 | 0.02 |
| Diminution in the value of unquoted/quoted (others) current investments | - | 0.01 |
| Repairs | | |
| - Plant and machinery | 0.36 | 0.02 |
| - Buildings | 0.91 | 0.13 |
| - Others | 4.42 | 0.58 |
| Miscellaneous | 2.37 | 3.21 |
| Operating cost allocated from HCL Services Limited, the subsidiary Company | - | 10.78 |
| | 73.43 | 67.87 |
| Less: Operating cost recovered from subsidiaries | 10.06 | 10.21 |
| | 63.37 | 57.66 |

Notes to the Standalone Financial Statements

34 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 (56.09) | - (-) | - (-) | 0.04 (56.09) | 0.04 (56.09) |
| (ii) Others | 7 | - (-) | - (-) | 71.68 (1.41) | 71.68 (1.41) | 71.68 (1.41) |
| | | 0.04 (56.09) | - (-) | 71.68 (1.41) | 71.72 (57.50) | 71.72 (57.50) |
| Current assets | | | | | | |
| (i) Investments | 6 | - (-) | - (107.19) | - (-) | - (107.19) | - (107.19) |
| (ii) Trade receivables | 12 | - (-) | - (-) | 379.55 (562.73) | 379.55 (562.73) | 379.55 (562.73) |
| (iii) Cash and cash equivalents | 13 | - (-) | - (-) | 102.82 (45.49) | 102.82 (45.49) | 102.82 (45.49) |
| (iv) Bank balances other than (iii) above | 14 | - (-) | - (-) | 52.48 (11.98) | 52.48 (11.98) | 52.48 (11.98) |
| (v) Loans | 15 | - (-) | - (-) | 515.59 (716.57) | 515.59 (716.57) | 515.59 (716.57) |
| (vi) Others | 16 | - (-) | - (-) | 72.71 (70.49) | 72.71 (70.49) | 72.71 (70.49) |
| | | - (-) | - (107.19) | 1,123.15 (1,407.26) | 1,123.15 (1,514.45) | 1,123.15 (1,514.45) |
| Financial Liabilities | | | | | | |
| Non-current liabilities | | | | | | |
| (i) Borrowings | 20 | - (-) | - (-) | 94.40 (93.51) | 94.40 (93.51) | 94.40 (93.51) |
| | | - (-) | - (-) | 94.40 (93.51) | 94.40 (93.51) | 94.40 (93.51) |
| Current liabilities | | | | | | |
| (i) Borrowings | 22 | - (-) | - (-) | 494.99 (819.75) | 494.99 (819.75) | 494.99 (819.75) |
| (ii) Trade payables | 23 | - (-) | - (-) | 522.28 (653.76) | 522.28 (653.76) | 522.28 (653.76) |
| (iii) Other financial liabilities | 24 | - (-) | - (-) | 264.44 (169.32) | 264.44 (169.32) | 264.44 (169.32) |
| | | - (-) | - (-) | 1,281.71 (1,642.83) | 1,281.71 (1,642.83) | 1,281.71 (1,642.83) |

Note: Previous year figures are given in brackets.

Notes to the Standalone Financial Statements

Fair value hierarchy

This section explains the judgments and estimates made in determining the fair values of the financial instruments that are recognized and measured at fair value. To provide an indication about the reliability of the inputs used in determining fair values, the Company has classified its financial instruments into the three levels prescribed under the accounting standard.

Quantitative disclosures of fair value measurement hierarchy for assets and liabilities as at 31.03.2019 and 31.03.2018:

₹/Crores

| | Fair Value measurement using | | | | Total |
|------------------------------------|------------------------------|---|---|---|--------|
| | Date of Valuation | Quoted prices in active markets (Level 1) | Significant Observable inputs (Level 2) | Significant Unobservable inputs (Level 3) | |
| Financial assets measured at FVTPL | | | | | |
| Investment in mutual funds | 31.03.2019 | - | - | - | - |
| Investment in mutual funds | 31.03.2018 | - | 107.19 | - | 107.19 |

There were no transfers between the Level 1, Level 2 and Level 3 during the year.

There is no change in the valuation technique during the year.

Valuation techniques used to derive Level 2 fair values

Investment in mutual funds have been fair valued using published statement for NAV's.

35 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.

Notes to the Standalone Financial Statements

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 31.03.2019 | As at 31.03.2018 |
| Not Due | 263.13 | 414.84 |
| 0-90 days past due | 74.53 | 120.02 |
| 91-180 days past due | 23.45 | 14.02 |
| 181-365 days past due | 16.25 | 5.93 |
| 1 - 2 years past due | 9.98 | 9.11 |
| More than 2 years past due | 28.14 | 29.15 |
| | 415.48 | 593.07 |

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 31.03.2019 | As at 31.03.2018 |
| Balance at the beginning | 30.34 | 24.78 |
| Add: Provided during the year | 7.04 | 6.94 |
| Less: Amounts written off | 1.45 | 1.38 |
| Balance at the end | 35.93 | 30.34 |

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.

Notes to the Standalone Financial Statements

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 | 547.13 | 16.30 | 530.83 | - | - | - |
| | (496.65) | (58.07) | (432.48) | (6.10) | - | - |
| -From Others | 272.14 | - | 177.74 | 94.40 | | |
| | (389.80) | - | (302.39) | (87.41) | - | - |
| -Commercial Paper | - | - | - | - | - | - |
| | (147.41) | - | (147.41) | - | - | - |
| Trade payables | 522.28 | - | 522.28 | - | - | - |
| | (653.76) | - | (653.76) | - | - | - |
| Other financial liabilities | | | | | | |
| -Deposits | 2.67 | - | 2.67 | - | - | - |
| | (3.82) | - | (3.82) | - | - | - |
| -Interest accrued but not due on borrowings | 5.69 | - | 5.69 | - | - | - |
| | (3.73) | - | (3.73) | - | - | - |
| -Other Payable to related parties | 14.11 | - | 14.11 | - | - | - |
| | (14.11) | - | (14.11) | - | - | - |
| -Capital Creditors | 0.22 | - | 0.22 | - | - | - |
| | (0.42) | - | (0.42) | - | - | - |
| -Unpaid dividends | 0.12 | 0.12 | - | - | - | - |
| | (0.62) | (0.62) | - | - | - | - |
| -Employee Benefits Payable | 11.75 | - | 11.75 | - | - | - |
| | (12.26) | - | (12.26) | - | - | - |
| -Others | - | - | - | - | - | - |
| | (13.75) | - | (13.75) | - | - | - |
| Total non-derivative liabilities | 1,376.11 | 16.42 | 1,265.29 | 94.40 | - | - |
| | (1,736.33) | (58.69) | (1,584.13) | (93.51) | (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 on 31.03.2019, the Company has ₹ 158.19 crores (2018- ₹ 146.85 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.

Notes to the Standalone Financial Statements

(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 31.03.2019 | As at 31.03.2018 |
| Variable rate borrowings | 158.19 | 146.85 |
| Fixed rate borrowings | 661.09 | 887.02 |
| Total borrowings | 819.28 | 1,033.87 |

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

| | As at 31.03.2019 | | | As at 31.03.2018 | | |
|---|--------------------------------------|---------|---------------------|--------------------------------------|---------|---------------------|
| | Weighted average interest rate | Balance | % of total loans | Weighted average interest rate | Balance | % of total loans |
| Bank loans, Cash credits | 10.11% | 158.19 | 19.31% | 11.27% | 146.85 | 14.20% |
| Net exposure to cash flow interest rate risk | | 158.19 | | | 146.85 | |

(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 31.03.2019 | Year ended 31.03.2018 | Year ended 31.03.2019 | Year ended 31.03.2018 |
| Interest rates - increase by 100 basis points | (1.09) | (1.01) | (1.09) | (1.01) |
| Interest rates - decrease by 100 basis points | 1.09 | 1.01 | 1.09 | 1.01 |

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.

Notes to the Standalone Financial Statements

(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 | JPY | SEK | AED | CHF | SGD |
| Financial Assets | | | | | | | | |
| Trade receivables | 5.05 | - | - | - | - | - | - | 2.67 |
| | (4.79) | - | - | - | - | (0.42) | - | (1.29) |
| Cash and cash equivalents | 7.58 | - | - | - | - | - | - | 0.06 |
| | (6.02) | - | - | - | - | - | - | (0.04) |
| Net exposure to foreign currency risk (assets) | 12.63 | - | - | - | - | - | - | 2.73 |
| | (10.81) | - | - | (0.00) | (0.00) | (0.42) | - | (1.33) |
| Financial Liabilities | | | | | | | | |
| Trade Payables | 33.83 | 0.03 | 0.01 | - | - | - | 0.03 | - |
| | (23.86) | (0.03) | (0.01) | - | - | - | - | - |
| Derivative liabilities | | | | | | | | |
| Foreign exchange forward contracts | (32.07) | - | - | - | - | - | - | - |
| | (-16.97) | - | - | - | - | - | - | - |
| Net exposure to foreign currency risk (liabilities) | 1.76 | 0.03 | 0.01 | - | - | - | 0.03 | - |
| | (6.89) | (0.03) | (0.01) | - | - | - | - | - |

Note: Previous year figures are given in brackets.

36 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 31.03.2019 and 31.03.2018 are as follows:

| | ₹/Crores | |
|----------------------|------------------|------------------|
| | As at 31.03.2019 | As at 31.03.2018 |
| Total Debt | 819.27 | 1,033.87 |
| Equity | 278.83 | 486.15 |
| Capital and net debt | 1,098.10 | 1,520.02 |
| Gearing ratio | 74.61% | 68.02% |

The Company is not subject to any externally imposed capital requirements for the year ended 31.03.2019 and 31.03.2018.

Notes to the Standalone Financial Statements

37 Exceptional items include :

| Particulars | ₹/Crores | |
|---|--------------------------|--------------------------|
| | Year ended 31.03.2019 | Year ended 31.03.2018 |
| 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 | (78.83) | (80.19) |
| d. Provision for impairment in the value of investment in Digilife Distribution and Marketing Services Limited | (56.05) | |
| e. Provision for impairment in the value of investment in Karvy Innotech Limited (formerly known as HCL Services Limited) | - | (428.97) |
| f. Provision for impairment in the value of investment in HCL Learning Limited | - | (44.46) |
| Total | (133.23) | (553.62) |

- 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 (refer note 50).
- 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 Quess Corp Limited on 11.04.2018 for a consideration of ₹ 0.60 crores.
- c) The Company has made provision of ₹ 78.83 crores (FY 1718 - ₹ 80.19 crores) against loan given to HCL Infotech Limited. The Company, considering that HCL Infotech Limited has negative net worth as on 31.03.2019 due to continuous loss incurred by 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.
- d) In respect of investment in Digilife Distribution and Marketing Services Limited, the Company in current financial year has recognised an impairment charge of ₹ 56.05 crores being carrying value of investment in excess of its recoverable value.

38 a) Contingent liabilities :

Claims against the Company not acknowledged as debts:

| | ₹/Crores | |
|--|---------------------|---------------------|
| | As at 31.03.2019 | As at 31.03.2018 |
| Sales tax* | 257.04 | 252.96 |
| Excise* | 473.81 | 345.01 |
| Income tax | 23.72 | 25.12 |
| Industrial disputes, civil suits and consumer disputes | 1.26 | 0.86 |

* Includes sum of ₹ 137.21 crores (2018 - ₹ 124.97 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 ₹ 283.47 crores (2018 - ₹ 362.45 crores) was given to banks and financial institutions for working capital facilities sanctioned to subsidiaries of which the total amount utilised as at 31.03.2019 is ₹ 44.69 crores (2018 - ₹ 70.05 crores)."

Notes to the Standalone Financial Statements

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 ₹ 4.94 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. The matter is currently pending for adjudication before the Special Court CBI. The management is of the view that the company has not engaged in any wrong doing.
- (ii) As at 31.03.2019 the Company has certain sales tax and other related litigation matters against which provision amounts to ₹ 4.85 crores (2018 - ₹ 3.71 crores). Provision amounting to ₹ 1.14 crores was made during the year.

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

₹/Crores

| | As at 31.03.2019 | As at 31.03.2018 |
|--|---------------------|---------------------|
| a. (i) Principal amount remaining unpaid to any supplier as at the end of the year | 4.03 | 8.05 |
| (ii) Interest due on the above amount | 0.18 | 0.16 |
| 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 | 123.61 | 146.60 |
| 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 | 3.10 | 3.42 |
| 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 | - | - |

- 40** 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.

41 Remuneration to Auditors*:

₹/Crores

| | Year ended 31.03.2019 | Year ended 31.03.2018 |
|--|--------------------------|--------------------------|
| a. Statutory audit | 1.17 | 1.24 |
| b. Other audit services/certifications | 0.11 | 0.39 |
| c. Out-of-pocket expenses | 0.12 | 0.17 |
| Total | 1.40 | 1.80 |

* excluding service tax / GST as applicable

42 Employee Stock Option Plan (ESOP):

- (a) The Company has established Employee Stock Option Scheme 2000 and Employee Stock Based Compensation Plan 2005, for which a total grant of 31,90,200 and 33,35,487 options have been set aside respectively for the employees of the Company and its subsidiaries. These options vest on a graded basis 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.

The Board of Directors/Committee approves the grant of options, including the grant of options that lapse out of each grant. Each option of ₹ 10/- confers on the employee a right to five equity shares of ₹ 2/- each.

Exercise price is market price as specified in the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 1999 issued by the Securities and Exchange Board of India("SEBI").

Notes to the Standalone Financial Statements

Details of Grants made under Employee Stock Based Compensation Plan 2005 as on 31.03.2019

| Date of Grant | Exercise price of the option for five equity shares of ₹ 2/- each | Options outstanding at the beginning of the year | Options granted during the year | Options forfeited during the year | Options exercised during the year | Options expired during the year | Options outstanding at the end of the year | Options exercisable at the end of the year |
|---------------|---|--|---------------------------------|-----------------------------------|-----------------------------------|---------------------------------|--|--|
| 23-Jan-08 | | - | - | - | - | - | - | - |
| | 898.25 | (4,065) | - | - | - | (4,065) | - | - |
| 30-Jan-13 | | - | - | - | - | - | - | - |
| | 186.00 | (20,000) | - | - | (20,000) | - | - | - |
| Total | | - | - | - | - | - | - | - |
| | | (24,065) | - | - | (20,000) | (4,065) | - | - |

Option outstanding at the beginning and at the end of the year Nil (2018-Nil) under Employee Stock Option Scheme 2000.

Note: Previous year figures are given in brackets.

(b) Fair Value of options

Assumptions

The fair value of each stock option granted under Employee Stock Based Compensation Plan 2005 as on the date of grant has been computed using Black-Scholes Option Pricing Formula and the model inputs are given as under:

| | Employee Stock Based Compensation Plan 2005 |
|--|---|
| Volatility | 31% to 65% |
| Risk free rate | 6.25% to 6.82% |
| Exercise Price | 178.00 to 1,348.25 |
| Time to Maturity (years) | 2.50 to 7.00 |
| Dividend Yield | 0% to 37% |
| Life of options | 10 Years |
| Fair Value of options as at the grant date | ₹ 0.00 to ₹ 268.16 |

Notes:

1. Volatility: Based on historical volatility in the share price movement of the Company.
2. Risk Free Rate: Being the interest rate applicable for maturity equal to the expected life of options based on yield curve for Government Securities.
3. Time to Maturity: Vesting period and volatility of the underlying equity shares have been considered for estimation.
4. Dividend Yield: Based on historical dividend payouts.

43 Leases:

a) Cancelable Operating Leases

As Lessee:

- (i) The Company has taken various residential/commercial premises under cancelable operating leases. These leases are for a period of eleven months to three years and are normally renewable on expiry.
- (ii) The rental expense in respect of operating leases is ₹ 8.29 crores (FY17-18 - ₹ 6.94 crores) which is disclosed as Rent expense under 'Other expenses'.

Notes to the Standalone Financial Statements

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 | 31.03.2019 | 1.01 | - | 1.01 | - |
| | 31.03.2018 | (1.01) | - | (1.01) | - |
| Building | 31.03.2019 | 2.30 | 0.17 | 2.13 | 0.04 |
| | 31.03.2018 | (2.30) | (0.13) | (2.17) | (0.05) |
| TOTAL | 31.03.2019 | 3.31 | 0.17 | 3.14 | 0.04 |
| | 31.03.2018 | (3.31) | (0.13) | (3.18) | (0.05) |

Note: Previous year figures are given in brackets.

44 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 31.03.2019 | Year ended 31.03.2018 |
|---|-----------------------|-----------------------|
| Loss after tax (₹/Crores) | (206.33) | (631.57) |
| Weighted average number of shares considered as outstanding in computation of Basic EPS | 329,209,928 | 256,143,777 |
| Weighted average number of shares outstanding in computation of Diluted EPS | 329,209,928 | 256,143,777 |
| Basic and diluted (of ₹ 2/- each) | (₹6.27) | (₹24.66) |

45 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.

46 Employee benefits
(a) Defined Contribution

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

| ₹/Crores | | |
|--|-----------------------|-----------------------|
| | Year ended 31.03.2019 | Year ended 31.03.2018 |
| (i) Employers Contribution to Superannuation Fund* | 0.21 | 0.23 |
| (ii) Employers Contribution to National Pension Scheme* | 0.13 | 0.16 |
| (iii) Employers contribution to Employee State Insurance* | 0.03 | 0.04 |
| (iv) Employers contribution to Employee's Pension Scheme 1995* | 0.66 | 0.72 |

* Included in contribution to provident and other funds under Employee benefits expense (refer note 31).

Notes to the Standalone 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 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 31.03.2019 | Year ended 31.03.2018 | Year ended 31.03.2019 | Year ended 31.03.2018 |
| Discount rate (per annum) | 7.30% | 7.60% | 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 | 8.65% | 8.55% |
| Expected short fall in interest earnings | Not Applicable | Not Applicable | 0.05% | 0.05% |
| Expected average remaining working lives of employees (years) | 16.15 | 16.84 | 16.15 | 17.94 |

As of 31.03.2019, every 0.5 percentage point increase / decrease in discount rate will affect gratuity benefit obligation by approximately by ₹ 0.07 crores.

As of 31.03.2019, every 0.5 percentage point increase / decrease in weighted average rate of increase in compensation levels will effect 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-

- 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.

Notes to the Standalone Financial Statements

- E) 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 31.03.2019 | | As at 31.03.2018 | |
|---|------------------|----------------|------------------|----------------|
| | 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 | 3.40 | 157.89 | 3.48 | 192.45 |
| Current service cost | 0.38 | 2.44 | 0.39 | 4.19 |
| Interest cost | 0.26 | 10.37 | 0.23 | 12.64 |
| Acquisition adjustment | 0.00 | - | 0.50 | - |
| Total amount recognised in profit or loss | 0.64 | | 1.12 | |
| Actuarial (gain)/loss from change in demographic assumptions | (0.01) | (0.00) | - | |
| Actuarial (gain)/loss from change in financial assumptions | 0.05 | 0.00 | (0.01) | (0.01) |
| Experience (gain)/loss | 0.95 | (0.01) | (0.24) | 3.79 |
| Total amount recognised in other comprehensive income | 0.99 | | (0.25) | |
| Benefits paid | (1.17) | (32.23) | (0.94) | (69.26) |
| Settlements/transfer in | - | 3.06 | - | 2.76 |
| Contribution by plan participants | - | 7.27 | - | 11.33 |
| Present value of obligation at the end of the year | 3.86 | 148.80 | 3.40 | 157.89 |

| | As at 31.03.2019 | As at 31.03.2018 |
|--|------------------|------------------|
| | Provident Fund | Provident Fund |
| Reconciliation of fair value of plan assets: | | |
| Fair value of plan assets at the beginning of the year | 174.72 | 208.64 |
| Expected return on plan assets | 14.45 | 17.06 |
| Contribution by employer | 2.44 | 4.19 |
| Settlements/transfer In | 3.06 | 2.76 |
| Contribution by employee | 7.27 | 11.33 |
| Benefit paid | (32.23) | (69.26) |
| Actuarial gain/(loss) on plan assets | 0.00 | 0.00 |
| Fair value of plan assets at the end of the year | 169.71 | 174.72 |

Notes to the Standalone Financial Statements

| | As at 31.03.2019 | | As at 31.03.2018 | |
|--|------------------|----------------|------------------|----------------|
| | Gratuity | Provident Fund | Gratuity | Provident Fund |
| Cost recognised for the year : | | | | |
| Current service cost | 0.38 | - | 0.39 | - |
| Company contribution to provident fund @ | - | 2.44 | - | 4.19 |
| Past service cost | - | - | - | - |
| Interest cost | 0.26 | - | 0.23 | - |
| Actuarial (gain)/loss | 0.99 | - | (0.25) | - |
| Interest guarantee liability | - | - | - | - |
| Shortfall in fund | - | - | - | - |
| Net cost recognised for the year* | 1.63 | 2.44 | 0.37 | 4.19 |

* 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).

@ The Company's contribution to provident fund for the year is ₹ 0.96 crores (FY 17-18 - ₹ 1.02 crores) and the remaining relates to other related companies as mentioned above.

The major categories of plan assets are as follows:

| | As at 31.03.2019 | As at 31.03.2018 |
|-------------------------------|------------------|------------------|
| | Unquoted in % | Unquoted in % |
| Central government securities | 40.00 | 40.99 |
| State government securities | 17.31 | 15.89 |
| Public sector bonds | 31.97 | 33.84 |
| Special deposit scheme | 9.55 | 9.20 |
| Equity | 0.19 | - |
| Bank balance | 0.98 | 0.08 |
| 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 31.03.2019 | As at 31.03.2018 |
| Present value of the obligation as at the end of the year | 3.86 | 3.40 |
| Fair value of plan assets at the end of the year | - | - |
| Assets/(Liabilities) recognised in the Balance Sheet | (3.86) | (3.55) |
| Experience adjustment in plan liabilities | 0.95 | (0.24) |
| Experience adjustment in plan assets | - | - |

Notes to the Standalone Financial Statements

| | Provident Fund | |
|---|------------------|------------------|
| | ₹/Crores | |
| | As at 31.03.2019 | As at 31.03.2018 |
| Present value of the obligation as at the end of the year | (148.80) | (157.89) |
| Fair value of plan assets at the end of the year | 169.71 | 174.72 |
| Assets/(Liabilities) recognised in the Balance Sheet | ..** | ..** |

The Company expects to pay ₹ 2.80 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.

47 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

HCL Investments Pte. Limited, Singapore

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

Nature 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. Premkumar Seshadri* (Executive Vice Chairman and Managing Director, till 31.03.2018)

Mr. Rangarajan Raghavan (Managing Director, with effect from 01.04.2018)

Mr. S G Murali (Group CFO, till 15.09.2017)

Mr. Kapil Kapur (CFO with effect from 01.04.2018)#

Mr. Sushil Jain (Company Secretary)

*Remuneration has been paid by HCL Corporation Private Limited

Deputy CFO from 15.09.2017 to 31.03.2018.

Note: Parties with whom transactions are more than 10% of the total value have been disclosed separately.

Notes to the Standalone Financial Statements

Summary of Related Party disclosures

| A. Transactions | ₹/Crores | | | | | | | | | |
|---|-------------------------------------|--------|---------------|--------|---------------|--------|--------------------------|--------|---------------|--------|
| | Company having substantial interest | | Subsidiaries | | Others | | Key Management Personnel | | Total | |
| | Mar-19 | Mar-18 | Mar-19 | Mar-18 | Mar-19 | Mar-18 | Mar-19 | Mar-18 | Mar-19 | Mar-18 |
| Sales and related income | 0.12 | - | 108.79 | 130.17 | 206.60 | 158.19 | - | - | 315.51 | 288.36 |
| - HCL Corporation Private Limited | 0.12 | - | - | - | - | - | - | - | - | - |
| - HCL Infotech Limited # | - | - | 16.91 | 17.30 | - | - | - | - | - | - |
| - Karvy Innotech Limited (formerly known as HCL Services Limited) | - | - | 0.60 | 12.74 | - | - | - | - | - | - |
| - Digilife Distribution and Marketing Services Limited | - | - | 91.28 | 100.14 | - | - | - | - | - | - |
| - HCL Technologies Limited | - | - | - | - | 198.78 | 154.52 | - | - | - | - |
| Sale of services | - | - | - | - | 0.17 | - | - | - | 0.17 | - |
| - HCL Technologies Limited | - | - | - | - | 0.17 | - | - | - | - | - |
| Purchase of goods | - | - | 0.17 | 4.23 | - | - | - | - | 0.17 | 4.23 |
| - Digilife Distribution and Marketing Services Limited | - | - | 0.15 | 2.97 | - | - | - | - | - | - |
| - HCL Infotech Limited # | - | - | - | 0.15 | - | - | - | - | - | - |
| - Karvy Innotech Limited (formerly known as HCL Services Limited) | - | - | 0.02 | 1.00 | - | - | - | - | - | - |
| Purchase of fixed assets | - | - | - | 0.11 | - | - | - | - | - | 0.11 |
| - Digilife Distribution and Marketing Services Limited | - | - | - | 0.11 | - | - | - | - | - | - |
| Sale of fixed assets | - | - | - | 0.18 | - | - | - | - | - | 0.18 |
| - Karvy Innotech Limited (formerly known as HCL Services Limited) | - | - | - | 0.18 | - | - | - | - | - | - |
| Purchase of services | - | - | 3.99 | 22.65 | 0.20 | 0.22 | - | - | 4.19 | 22.87 |
| - Karvy Innotech Limited (formerly known as HCL Services Limited) | - | - | 3.99 | 22.45 | - | - | - | - | - | - |
| - Koura & Co. | - | - | - | - | 0.20 | 0.22 | - | - | - | - |
| Loans and advances refunded/adjusted (net) | - | - | 137.86 | 146.86 | - | - | - | - | 137.86 | 146.86 |
| - Karvy Innotech Limited (formerly known as HCL Services Limited) | - | - | 137.86 | 145.23 | - | - | - | - | - | - |
| Current borrowings paid (net) | 20.00 | - | - | - | - | - | - | - | 20.00 | - |
| - HCL Corporation Private Limited | 20.00 | - | - | - | - | - | - | - | - | - |
| Current borrowings taken (net) | - | 20.00 | - | - | - | - | - | - | - | 20.00 |
| - HCL Corporation Private Limited | - | 20.00 | - | - | - | - | - | - | - | - |
| Loans and advances given (net) | - | - | 54.35 | 585.13 | - | - | - | - | 54.35 | 585.13 |
| - HCL Infotech Limited | - | - | 29.75 | 292.29 | - | - | - | - | - | - |
| - HCL Learning Limited | - | - | 24.59 | 292.84 | - | - | - | - | - | - |
| Interest charged on current borrowings | 2.94 | 0.87 | - | - | - | - | - | - | 2.94 | 0.87 |
| - HCL Corporation Private Limited | 2.94 | 0.87 | - | - | - | - | - | - | - | - |
| Interest charged on loans and advances given | - | - | 22.69 | 22.31 | - | - | - | - | 22.69 | 22.31 |
| - HCL Learning Limited | - | - | 21.41 | 0.80 | - | - | - | - | - | - |
| - Karvy Innotech Limited (formerly known as HCL Services Limited) | - | - | 1.24 | 21.46 | - | - | - | - | - | - |

Notes to the Standalone Financial Statements

₹/Crores

| A. Transactions | Company having substantial interest | | Subsidiaries | | Others | | Key Management Personnel | | Total | |
|--|-------------------------------------|--------|---------------|--------|--------------|--------|--------------------------|--------|---------------|--------|
| | Mar-19 | Mar-18 | Mar-19 | Mar-18 | Mar-19 | Mar-18 | Mar-19 | Mar-18 | Mar-19 | Mar-18 |
| Purchase of business undertaking | - | - | - | 3.75 | - | - | - | - | - | 3.75 |
| - Karvy Innotech Limited (formerly known as HCL Services Limited) | - | - | - | 3.75 | - | - | - | - | - | - |
| Rent Received | - | - | 0.41 | - | 2.61 | 4.18 | - | - | 3.02 | 4.18 |
| - HCL Talent Care Private Limited | - | - | - | - | - | 0.12 | - | - | - | - |
| - HCL Technologies Limited | - | - | - | - | 1.98 | 1.88 | - | - | - | - |
| - HCL Comnet Limited | - | - | - | - | 0.63 | 2.18 | - | - | - | - |
| - Karvy Innotech Limited (formerly known as HCL Services Limited) | - | - | 0.41 | - | - | - | - | - | - | - |
| Remuneration | - | - | - | - | - | - | 3.70 | 2.13 | 3.70 | 2.13 |
| - Mr. Rangarajan Raghavan | - | - | - | - | - | - | 1.51 | - | - | - |
| - Mr.S.G. Murali | - | - | - | - | - | - | - | 1.19 | - | - |
| - Mr.Kapil Kapur | - | - | - | - | - | - | 1.60 | 0.47 | - | - |
| - Mr.Sushil Jain | - | - | - | - | - | - | 0.59 | 0.47 | - | - |
| Issue of share (including share premium) | - | 444.63 | - | - | - | - | - | - | - | 444.63 |
| - HCL Corporation Private Limited | - | 249.28 | - | - | - | - | - | - | - | - |
| - VAMA Sundari Investments (Delhi) Private Limited | - | 195.35 | - | - | - | - | - | - | - | - |
| Reimbursements towards expenditure | | | | | | | | | | |
| a) Received | - | - | 18.57 | 29.91 | - | - | - | - | 18.57 | 29.91 |
| - HCL Infotech Limited | - | - | 10.24 | 11.05 | - | - | - | - | - | - |
| - Karvy Innotech Limited (formerly known as HCL Services Limited) | - | - | 0.74 | 15.10 | - | - | - | - | - | - |
| - HCL Learning Limited | - | - | 0.54 | 0.98 | - | - | - | - | - | - |
| - HCL Insys Pte Limited, Singapore | - | - | 5.06 | 0.85 | - | - | - | - | - | - |
| b) Paid | 1.42 | 1.74 | 0.93 | 9.11 | - | - | - | - | 2.35 | 10.85 |
| - Karvy Innotech Limited (formerly known as HCL Services Limited) | - | - | 0.93 | 9.11 | - | - | - | - | - | - |
| - HCL Corporation Private Limited* | 1.42 | 1.74 | - | - | - | - | - | - | - | - |
| B. Amount due to / from related parties | | | | | | | | | | |
| Investment in subsidiaries (gross, refer note 5) | - | - | 891.01 | 891.01 | - | - | - | - | 891.01 | 891.01 |
| Investment in subsidiaries held for sale (gross, refer note 51(b)) | - | - | - | 684.96 | - | - | - | - | - | 684.96 |
| Trade receivables | - | 0.01 | 30.06 | 38.31 | 42.64 | 48.29 | - | - | 72.70 | 86.61 |
| Current borrowings | - | 20.00 | - | - | - | - | - | - | - | 20.00 |
| Loans and advances (net) | - | - | 515.59 | 716.57 | - | 0.07 | - | - | 515.59 | 716.64 |
| Other recoverable | 0.07 | - | 3.97 | - | - | - | - | - | 4.04 | - |
| Trade payables | 1.42 | 0.72 | 57.55 | 33.34 | 0.54 | - | - | - | 59.51 | 34.06 |
| Other payables | - | 1.74 | 14.11 | 17.86 | - | - | - | - | 14.11 | 19.60 |

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.

* Related to Corporate Guarantee of ₹ 286 crores (2018- ₹ 1,146 crores) taken from HCL Corporation Private Limited

Notes to the Standalone Financial Statements

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 31.03.2019 | Year ended 31.03.2018 |
|--|--------------------------|--------------------------|
| Short-term employee benefits | 3.70 | 2.13 |
| Total compensation paid to key management personnel | 3.70 | 2.13 |

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.

48 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 31.03.2019 | | | | As at 31.03.2018 | | | | |
|----|--|------------------------------------|--|----------------------|----------------------|------------------------------------|---|--|----------------------|----------------------|
| a. | Name | Pimpri Chinchwad eServices Limited | Digilife Distribution and Marketing Services Limited | HCL Infotech Limited | HCL Learning Limited | Pimpri Chinchwad eServices Limited | Karvy Innotech Limited (formerly known as HCL Services Limited) | Digilife Distribution and Marketing Services Limited | HCL Infotech Limited | HCL Learning Limited |
| b. | Balance outstanding at the year end | 0.03 | 0.00 | 599.07 | 324.42 | 0.01 | 137.86 | 0.00 | 569.32 | 299.83 |
| c. | Maximum amount outstanding | 0.03 | 11.20 | 599.07 | 324.42 | 0.01 | 407.99 | 8.01 | 602.19 | 299.41 |

₹/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 31.03.2019 | | | As at 31.03.2018 | | | |
|----|---|--|----------------------|----------------------|----------------------|--|----------------------|----------------------|
| a. | Name | Digilife Distribution and Marketing Services Limited | HCL Infotech Limited | HCL Learning Limited | HCL Services 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 | Nil |
| c. | Maximum amount outstanding during the year ended | Nil | 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 31.03.2019 | As at 31.03.2018 |
|-----------|---|---------------------|---------------------|
| C. | Loans and advances in the nature of loans to firms/companies in which directors are interested | Nil | Nil |

Notes to the Standalone Financial Statements

| D. | Investment by the loanees in the shares of the Company | As at 31.03.2019 | As at 31.03.2018 |
|----|--|---------------------|---------------------|
| 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 |

49 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 31.03.2019 are:

₹/Crores

| | As at 31.03.2018 | Movement during the year* | As at 31.03.2019 |
|---|---------------------|---------------------------------|---------------------|
| 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 | - | 1.73 |
| MAT credit | 11.70 | - | 11.70 |
| Total (A) | 72.99 | - | 72.99 |
| 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 | (0.98) | - | (0.98) |
| Unrealised Gain on fair valuation of investment in mutual funds | (0.19) | - | (0.19) |
| Total (B) | (9.44) | - | (9.44) |
| Net deferred tax assets (A)-(B) | 63.55 | - | 63.55 |

* During the year, no deferred tax assets has been recognised on temporary differences of ₹ 7.56 crores, business losses of ₹ 120.91 crores and unabsorbed depreciation of ₹ 6.22 crores due to absence of reasonable certainty of future taxable profits.

Notes to the Standalone Financial Statements

(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 31.03.2019 | Year ended 31.03.2018 |
| 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 | - | 25.57 |
| (Increase) in deferred tax assets | - | (24.50) |
| Total deferred tax expense/(benefit) | - | 1.07 |
| Income tax expense | - | 1.07 |

| | ₹/Crores | |
|--|--------------------------|--------------------------|
| Reconciliation of tax expense and the accounting profit multiplied by India's tax rate: | Year ended 31.03.2019 | Year ended 31.03.2018 |
| Loss before income tax expense | (206.33) | (630.25) |
| Tax at the Indian tax rate of 31.20% (FY 1718 – 30.90%) | (64.38) | (194.75) |
| 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 | 16.02 | 171.07 |
| Expenditure related to exempt dividend income | 0.22 | 0.37 |
| Dividend income | 0.51 | (0.82) |
| Other items | - | (0.37) |
| Decrease / (increase) in MAT credit | - | 25.57 |
| Tax losses for which no deferred income tax was recognised | 47.63 | - |
| Income tax expense | - | 1.07 |

- 50** The Board of Directors of the Company in its meeting held on 09.02.2018, the Company has 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 Karvy Innotech Limited (formerly known as HCL Services Limited)). The Company signed a share purchase agreement on 31.05.2018 and the shareholding was divested on 15.06.2018.

This transaction excludes;

- Care Business (divested to Quess Corp Limited)
- IT & Facility unit (transferred to HCL Infosystems Limited)
- Investment in HCL Insys PTE Limited, Singapore including its subsidiaries (transferred to HCL Learning Limited)

Also refer note 51(b).

Notes to the Standalone Financial Statements

51 a) 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. Therefore, the Board has approved the sale of two Company owned properties located in Noida and one property located in Pune, proceeds of which will be utilized in entirety to repay debt. The net value of ₹ 14.26 crores of these properties as of 31.03.2019 has been classified and disclosed as assets held for sale.

Pursuant to the Board's approval, the Company entered into agreement to sell the property situated at G-8,9,10, Sector 3, Noida on 21.05.2019 and the property situated at B-13,14 Sector 3, Noida on 28.05.2019 subject to approval from Noida authority. As of 31.03.2019, the combined carrying value of two properties is ₹ 0.81 crores and the sale value of the properties is ₹ 13.61 crores.

b) Sale of non-current investment

In the previous year, the Board of Directors of HCL Infosystems Limited (the Company) in its meeting held on 31.01.2018 had approved the sale of CARE business, a division of Karvy Innotech Limited (formerly known as HCL Services Limited, erstwhile wholly owned subsidiary) on slump sale basis, to QDigi Services Limited (formerly known as HCL Computing Products Limited) and in its meeting held on 09.02.2018 had approved sale of Karvy Innotech Limited (consisting of Domestic Enterprise Services Business) to Karvy Data Management Services Limited.

Pursuant to these developments, the investment in Karvy Innotech Limited (formerly known as HCL Services Limited) and QDigi Services Limited (formerly known as HCL Computing Products Limited) as at 31.03.2018 was classified and disclosed as assets held for sale.

| | ₹/Crores | |
|---|----------|-------------|
| | Units | Amount |
| Investments in equity instruments of subsidiaries (at cost) | | |
| QDigi Services Limited (formerly known as HCL Computing Products Limited) | 100,000 | 0.10 |
| Karvy Innotech Limited (formerly known as HCL Services Limited) | 77,036 | 684.86 |
| | | 684.96 |
| Less: Impairment in the value of investment* | | 678.97 |
| Total investments in equity instruments of subsidiaries | | 5.99 |

*Impairment includes impairment for investment in Karvy Innotech Limited (formerly known as HCL Services Limited) ₹ 678.97 crores.

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 (Dubai), Gibraltar Technologies LLC (Abu Dhabi) and step-down subsidiary Gibraltar Technologies WLL (Qatar) has been 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 ₹ 6.5 crores).

53 Previous year's figures have been regrouped / recasted, wherever necessary, to conform to the current year's presentation.

For B S R & Associates LLP

Chartered Accountants

ICAI Registration Number-116231W/W-100024

Manish Gupta

Partner

Membership Number - 095037

Gurugram, May 30, 2019

For and on behalf of the Board of Directors of

HCL Infosystems Limited
Rangarajan Raghavan

Managing Director

DIN - 07932761

Kapil Kapur

Chief Financial Officer

Noida, May 30, 2019

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 (Holding Company and its subsidiaries together referred to as "the Group"), which comprise the consolidated balance sheet as at 31 March 2019, 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 2019, 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 Code of Ethics issued by the Institute of Chartered Accountants of India, and we have fulfilled our other ethical responsibilities in accordance with the provisions of the Act. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Description of Key Audit Matters:

| Applicability of Ind AS 115 for recognition of revenue See note 2.21 to the consolidated financial statements | |
|--|---|
| The key audit matter | How the matter was addressed in our audit |
| <p>Ind AS 115 "Revenue from contracts with customers" has become effective for annual period beginning on or after 1 April 2018 replacing the existing revenue recognition guidance.</p> <p>The application of the new revenue recognition standard involves certain key judgments relating to identification of distinct performance obligations, determination of transaction price of the identified performance obligations and the appropriateness of the basis used to measure revenue.</p> <p>We identified the application of the accounting standard Ind AS 115 'Revenue from contracts with customers' as a key audit matter</p> | <p>The primary procedures we performed in addressing this key audit matter included:</p> <ul style="list-style-type: none"> - Considering the appropriateness of Company's revenue recognition policy and its compliance in terms of Ind AS 115 "Revenue from contracts with customers". - Assessing the design and testing the operating effectiveness of internal controls related to revenue recognition. - Performing sample tests of individual revenue contracts and other related documents. - Assessing the relevant disclosures made within the Ind AS financial statements. |

Revenue recognition on fixed price contracts

See note 2.3 (h) to the consolidated financial statements

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| <p>The Company's revenue arrangements include contracts where management is required to make significant estimates related to the efforts and costs associated with completing the contract. As disclosed by management, changes in these assumptions could have a significant impact on either the revenue recognized, the amount of any contract loss to be accrued, or both.</p> <p>We identified the revenue recognition on such fixed price contracts as a key audit matter.</p> | <p>The primary procedures we performed in addressing this key audit matter included:</p> <ul style="list-style-type: none"> – Testing the effectiveness of controls relating to management's revenue recognition, including controls over evaluating the original and periodic estimates to complete the remaining work associated with the contracts. – Evaluating whether the assumptions used were reasonable by considering the past performance of similar contracts, and whether such assumptions were consistent with evidence obtained in other areas of the audit. – Performing a margin analysis on all such contracts to evaluate, if margins were consistent and reasonable with the original estimates made by the management. – Testing the costs incurred for such projects on a sample basis to check if they were correctly recorded and attributed to respective contracts. |

Estimation for allowance of doubtful debts

See note 2.3 (e) to the consolidated financial statements

| The key audit matter | How the matter was addressed in our audit |
|--|---|
| <p>The Company estimates its allowance for doubtful debts based on estimated credit loss model. Such model considers amongst other factors, the historical trend of the receivables including an analysis of their age, credit profile of customers including the past payment history, future collectability and status of the projects or underlying contracts along with rights of the company. Changes in these assumptions could have a significant impact on the amount of allowance for doubtful debts.</p> | <p>The primary procedures we performed in addressing this key audit matter included:</p> <ul style="list-style-type: none"> – Testing the effectiveness of controls relating to management's credit control, debt collection and estimation of allowance for doubtful debts. – Evaluating whether the assumptions used were reasonable by considering the industry or sector in which such debtors operate, general collection trends in such sector or industry of the debtors, ageing of overdue balances, and accuracy of these estimates made in the past. – Assessing the management's collection plans for the past due debtor classes for their reasonableness. – Checking on a sample basis, collections made from debtors subsequent to the year end to assess adequacy of the allowance for doubtful debts. |

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, 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.

Responsibilities of Management and Those Charged with Governance 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 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 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 management 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 whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 (company and subsidiaries) 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, of which we are the independent auditors. 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 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.

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.
 - 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 2019 taken on record by the Board of Directors of the Holding Company and its subsidiary companies incorporated in India, none of the directors of the Group companies, incorporated in India is disqualified as on 31 March 2019 from being appointed as a director in terms of Section 164(2) of the Act.
 - f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Holding Company and 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 2019 on the consolidated financial position of the Group. Refer Note 32 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 22 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 2019.
 - iii. There has been no delay in transferring amounts to the Investor Education and Protection Fund by the Holding Company or its subsidiary companies incorporated in India during the year ended 31 March 2019.
 - 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 2019.

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 any director by the Holding Company and its subsidiary companies is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

Place: Gurugram
Date: 30 May 2019

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

Manish Gupta
Partner
Membership No.: 095037



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 2019.

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)(f) 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 2019, 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 2019, 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, 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: Gurugram
Date: 30 May 2019

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

Manish Gupta
Partner
Membership No.: 095037

Consolidated Balance Sheet

as at March 31, 2019

| | Notes | As at 31.03.2019 ₹/Crores | | As at 31.03.2018 ₹/Crores | |
|---|--------|------------------------------|-----------------|------------------------------|-----------------|
| I. ASSETS | | | | | |
| (1) Non-current assets | | | | | |
| Property, plant and equipment | 3(a) | 80.30 | | 103.57 | |
| Other intangible assets | 3(b) | 6.68 | | 6.85 | |
| Goodwill | 3(c) | 54.97 | | 54.97 | |
| Capital work-in-progress | 3(d) | 0.04 | | 2.25 | |
| Financial Assets | | | | | |
| (i) Other financial assets | 5 | 74.71 | | 6.04 | |
| Deferred tax assets (net) | 6, 38 | 65.02 | | 65.02 | |
| Advance income tax asset (net) | 7 | 112.15 | | 127.20 | |
| Other non-current assets | 8 | 156.38 | 550.25 | 153.41 | 519.31 |
| (2) Current assets | | | | | |
| Inventories | 9 | 95.51 | | 298.94 | |
| Financial assets | | | | | |
| (i) Investments | 4 | - | | 122.22 | |
| (ii) Trade receivables | 10 | 569.44 | | 1,289.64 | |
| (iii) Cash and cash equivalents | 11 | 154.25 | | 109.68 | |
| (iv) Bank balances other than (iii) above | 12 | 85.37 | | 23.26 | |
| (v) Other financial assets | 13 | 108.38 | | 157.68 | |
| Other current assets | 14 | 419.79 | 1,432.74 | 139.87 | 2,141.29 |
| (3) Disposal group-assets held for sale | 45, 46 | | 14.36 | | 219.14 |
| Total Assets | | | 1,997.35 | | 2,879.74 |
| II. EQUITY AND LIABILITIES | | | | | |
| (1) Equity | | | | | |
| Equity share capital | 15(a) | 65.84 | | 65.84 | |
| Other equity | 15(b) | 38.31 | 104.15 | 169.50 | 235.34 |
| Non controlling interests | | | (0.00) | | (0.00) |
| (2) Liabilities | | | | | |
| Non-current liabilities | | | | | |
| Financial liabilities | | | | | |
| (i) Borrowings | 16 | 99.08 | | 169.17 | |
| Provisions | 17 | 7.88 | | 9.62 | |
| Deferred tax liabilities (net) | 38 | 5.44 | 112.40 | 2.51 | 181.30 |
| Current liabilities | | | | | |
| Financial liabilities | | | | | |
| (i) Borrowings | 18 | 498.40 | | 825.39 | |
| (ii) Trade payables | 19 | 679.95 | | 839.06 | |
| (iii) Other financial liabilities | 20 | 334.57 | | 304.35 | |
| Other current liabilities | 21 | 217.39 | | 248.84 | |
| Provisions | 22 | 47.40 | | 150.91 | |
| Current tax liabilities (net) | 23 | 3.09 | 1,780.80 | 3.22 | 2,371.77 |
| (3) Disposal group-liabilities directly associated with assets held for sale | 46 | | - | | 91.33 |
| Total Equity and Liabilities | | | 1,997.35 | | 2,879.74 |
| 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

Manish Gupta

Partner

Membership Number - 095037

For and on behalf of the Board of Directors of

HCL Infosystems Limited
Rangarajan Raghavan

Managing Director

DIN - 07932761

Kapil Kapur

Chief Financial Officer

Kaushik Dutta

Director

DIN - 03328890

Sushil Kumar Jain

Company Secretary

Gurugram, May 30, 2019

Noida, May 30, 2019

Consolidated Statement of Profit and Loss for the year ended March 31, 2019

| | Notes | Year ended 31.03.2019 ₹/Crores | Year ended 31.03.2018 ₹/Crores |
|---|------------|-----------------------------------|-----------------------------------|
| Continuing Operations | | | |
| Income : | | | |
| Revenue from operations | 24 | 4,340.04 | 3,564.63 |
| Other income | 25 | 102.36 | 130.73 |
| Total Income | | 4,442.40 | 3,695.36 |
| Expenses : | | | |
| Cost of materials consumed | | 0.04 | 0.35 |
| Purchase of stock-in-trade | | 3,423.69 | 3,128.13 |
| Changes in inventories of finished goods and stock-in-trade | 26 | 203.54 | (217.80) |
| Other direct expense | 27 | 331.48 | 325.60 |
| Employee benefits expense | 28 | 291.98 | 276.01 |
| Finance costs | 29 | 123.04 | 141.13 |
| Depreciation and amortization expense | 3(a), (c) | 21.63 | 27.45 |
| Other expenses | 30 | 186.45 | 186.58 |
| Total expenses | | 4,581.85 | 3,867.45 |
| Loss before exceptional items and tax from continuing operations | | (139.45) | (172.09) |
| Exceptional items | 31 | - | (31.42) |
| Loss from continuing operations before tax | | (139.45) | (203.51) |
| Income tax expense: | | | |
| - Current tax | 38 | 5.36 | 1.95 |
| - Deferred tax | 38 | 2.85 | 3.13 |
| Loss for the year from continuing operations | | (147.66) | (208.59) |
| Discontinued operations | | | |
| Profit/(loss) from discontinued operations | 46 | 3.05 | (505.34) |
| Profit/(loss) on disposal of discontinued operations | | 9.59 | - |
| Tax expense of discontinued operations | | 0.18 | 99.84 |
| Net loss from discontinued operations | | 12.46 | (605.19) |
| Loss for the year | | (135.20) | (813.76) |
| Other Comprehensive Income | | | |
| (i) Items that will not be reclassified to profit or loss | | | |
| - Gain/(loss) on remeasurement of defined benefit plan | 41 | (1.42) | (0.31) |
| - Income tax relating to above item | | - | (0.08) |
| (ii) Items that will be reclassified to profit or loss | | | |
| - Exchange differences on translation of foreign operation | | 5.43 | 4.60 |

Consolidated Statement of Profit and Loss

for the year ended March 31, 2019

| Notes | Year ended 31.03.2019 ₹/Crores | Year ended 31.03.2018 ₹/Crores |
|--|-----------------------------------|-----------------------------------|
| Other comprehensive income /(loss) for the year, net of tax | 4.01 | 4.21 |
| Total comprehensive income / (loss) for the year | (131.19) | (809.55) |
| Loss is attributable to: | | |
| - Shareholders of HCL Infosystems Limited | (135.20) | (813.76) |
| - Non-controlling interests | (0.00) | (0.00) |
| Other comprehensive income /(loss) is attributable to: | | |
| - Shareholders of HCL Infosystems Limited | 4.01 | 4.21 |
| - Non-controlling interests | - | - |
| Total comprehensive income/ (loss) is attributable to: | | |
| - Shareholders of HCL Infosystems Limited | (131.19) | (809.56) |
| - Non-controlling interests | (0.00) | (0.00) |
| Earnings per equity share continuing operations (Rs. Per share) | 40 | |
| Basic and diluted (of ₹ 2/- each) | (4.49) | (8.14) |
| Earnings per equity share discontinued operations (Rs. Per share) | 40 | |
| Basic and diluted (of ₹ 2/- each) | 0.38 | (23.63) |
| Earnings per equity share continuing and discontinued operations (Rs. Per share) | 40 | |
| Basic and diluted (of ₹ 2/- each) | (4.11) | (31.77) |
| 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

Manish Gupta

Partner

Membership Number - 095037

For and on behalf of the Board of Directors of

HCL Infosystems Limited
Rangarajan Raghavan

Managing Director

DIN - 07932761

Kapil Kapur

Chief Financial Officer

Kaushik Dutta

Director

DIN - 03328890

Sushil Kumar Jain

Company Secretary

Gurugram, May 30, 2019

Noida, May 30, 2019

Consolidated Cash Flow Statement

for the year ended March 31, 2019

| | Notes | Year ended 31.03.2019 | | Year ended 31.03.2018 | |
|---|-------|-----------------------|----------|-----------------------|----------|
| | | ₹/Crores | | ₹/Crores | |
| 1. Cash Flow from Operating Activities: | | | | | |
| Loss before tax | | | (126.81) | | (708.84) |
| Adjustments for: | | | | | |
| Depreciation and amortisation expense | | 21.94 | | 35.05 | |
| Finance cost | | 124.31 | | 170.89 | |
| Interest income | | (58.13) | | (79.21) | |
| Dividend income | | (1.74) | | (3.23) | |
| Net profit on sale of property, plant and equipment | | (0.04) | | (1.72) | |
| Property, plant and equipment written-off | | - | | 10.91 | |
| Profit on disposal of unquoted (others) current investments | | (3.35) | | (1.61) | |
| Provision for doubtful debts | | 60.27 | | 49.38 | |
| Provision for doubtful loans and advances and other current assets | | 0.63 | | 5.72 | |
| Provisions/liabilities no longer required written back | | (10.51) | | (30.60) | |
| Impairment of goodwill | | - | 133.38 | 443.30 | 598.88 |
| Operating profit before changes in operating assets and liabilities | | | (6.58) | | (109.96) |
| Changes in operating assets and liabilities: | | | | | |
| - (Increase)/Decrease in trade receivables | | 736.69 | | (114.51) | |
| - (Increase) in non current assets | | 7.21 | | 11.46 | |
| - (Increase)/Decrease in current assets | | (194.13) | | (45.16) | |
| - (Increase)/Decrease in inventories | | 218.11 | | (172.30) | |
| - (Decrease) in non current liabilities | | (5.57) | | (6.06) | |
| - Increase/(Decrease) in current liabilities | | (391.94) | 370.37 | 130.37 | (196.20) |
| Cash generated/ (used) in operations | | | 376.95 | | (306.15) |
| - Taxes (paid)/received (net of tax deducted at source) | | | 10.19 | | (44.64) |
| Net cash generated/ (used) in operating activities | (A) | | 387.13 | | (350.79) |
| 2. Cash flow from investing activities: | | | | | |
| Payment for property, plant and equipment (including intangible assets) | | (10.07) | | (32.70) | |
| Proceeds from sale of property, plant and equipment | | 0.70 | | 10.46 | |
| Proceeds from sale of current investments | | 125.57 | | 472.38 | |
| Purchase of current investments | | - | | (472.12) | |
| Investments in bank deposits (with original maturity of more than three months) | | (62.93) | | 28.84 | |
| Movement in margin money account | | (0.03) | | 2.16 | |
| Movement in balances with banks on dividend account | | 0.50 | | 0.66 | |
| Dividend received on current investments | | 1.74 | | 3.23 | |
| Interest received | | 58.13 | 128.57 | 79.21 | 92.12 |
| Prouds from sale of subsidiary | | 14.96 | | - | |
| Net cash inflow from investing activities | (B) | | 128.57 | | 92.12 |

Consolidated Cash Flow Statement

for the year ended March 31, 2019

| Notes | Year ended 31.03.2019 | | Year ended 31.03.2018 | |
|--|-----------------------|-----------------|-----------------------|---------|
| | ₹/Crores | | ₹/Crores | |
| 3. Cash flow from financing activities: | | | | |
| Proceeds from issue of Share capital | - | | 21.26 | |
| Securities premium received (net) | - | | 474.21 | |
| Proceeds from borrowings | 1,279.48 | | 1,715.69 | |
| Repayment of borrowings | (1,633.16) | | (1,800.93) | |
| Interest paid | (122.95) | | (174.92) | |
| Dividend paid/amount transferred to investor education and protection fund | (0.50) | (477.13) | (0.66) | 234.65 |
| Net cash (outflow) / inflow from financing activities (C) | | (477.13) | | 234.65 |
| Net increase/(decrease) in cash and cash equivalents (A+B+C) | | 38.57 | | (24.03) |
| Opening balance of cash and cash equivalents | | 115.82 | | 138.09 |
| Effect of foreign exchange on cash and cash equivalents | | (0.14) | | 1.76 |
| Closing balance of cash and cash equivalents | | 154.25 | | 115.82 |
| Cash and cash equivalents comprise of | | | | |
| Cash, cheques and drafts (on hand) | | 17.85 | | 12.15 |
| Balances with banks on current accounts | | 65.24 | | 92.66 |
| Balances with banks on deposits accounts | | 71.16 | | 11.01 |

Notes:

1 Figures in brackets indicate cash outflow.

As per our report of even date attached

For B S R & Associates LLP

Chartered Accountants

ICAI Registration Number-116231W/W-100024

Manish Gupta

Partner

Membership Number - 095037

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

Managing Director

DIN - 07932761

Kapil Kapur

Chief Financial Officer

Kaushik Dutta

Director

DIN - 03328890

Sushil Kumar Jain

Company Secretary

Gurugram, May 30, 2019
Noida, May 30, 2019

Consolidated Statement of Changes in Equity for the year ended March 31, 2019

a. Equity Share Capital

| | ₹/Crores | |
|-------------------------------------|-------------------------|----------------------|
| | Number of Equity Shares | Equity Share Capital |
| Balance as at 01.04.2017 | 222,919,629 | 44.58 |
| Add : Issue of equity share capital | 106,290,299 | 21.26 |
| Balance as at 31.03.2018 | 329,209,928 | 65.84 |
| Balance as at 01.04.2018 | 329,209,928 | 65.84 |
| Balance as at 31.03.2019 | 329,209,928 | 65.84 |

b. Other Equity

| Particulars | Attributable to Shareholders of HCL Infosystems Limited | | | | | ₹/Crores | | |
|---|---|-----------------|-----------------|-------------------|---|---------------|---------------------------|---------------|
| | Reserve and surplus | | | | | Total Equity | Non Controlling interests | Total |
| | Securities Premium Reserve | General Reserve | Capital Reserve | Retained Earnings | Exchange differences on translating the financial statements of a foreign operation | | | |
| Balance as at 01.04.2017 | 720.16 | 215.76 | 0.04 | (442.22) | 11.10 | 504.84 | (0.00) | 504.84 |
| Total loss for the year | - | - | - | (813.76) | - | (813.76) | (0.00) | (813.76) |
| Other comprehensive income for the year | - | - | - | (0.39) | 4.60 | 4.21 | - | 4.21 |
| Securities premium on issue of Shares | 474.21 | - | - | - | - | 474.21 | - | 474.21 |
| Balance as at 31.03.2018 | 1,194.37 | 215.76 | 0.04 | (1,256.37) | 15.70 | 169.50 | (0.00) | 169.51 |
| 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 |

As per our report of even date attached

For B S R & Associates LLP

Chartered Accountants

ICAI Registration Number-116231W/W-100024

Manish Gupta

Partner

Membership Number - 095037

Gurugram, May 30, 2019

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

Rangarajan Raghavan

Managing Director

DIN - 07932761

Kapil Kapur

Chief Financial Officer

Noida, May 30, 2019

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 31.03.2019. 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 30.05.2019.

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

(i) Compliance with Ind AS

The consolidated financial statements comply in all material aspects 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.

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following which have been measured at fair value:

- Certain Financial assets and liabilities, including derivative financial instruments, which are being measured at fair value
- Defined benefit plans – plan assets measured at fair value,

2.2 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.

2.3 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:

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

Notes to Consolidated Financial Statements

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.
- 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

Notes to Consolidated Financial Statements

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.

2.4 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.

2.5 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.

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.

Notes to Consolidated Financial Statements

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 (%) | |
|--|--------------------------|-----------------------|----------|
| | | 31.03.19 | 31.03.18 |
| Subsidiary | | | |
| Digilife Distribution and Marketing Services Limited | India | 100 | 100 |
| Pimpri Chinchwad eServices Limited | India | 85 | 85 |
| QDigi Services Limited (formerly known as HCL Computing and Products Limited)@ | India | - | 100 |
| HCL Infotech Limited | India | 100 | 100 |
| HCL Learning Limited | India | 100 | 100 |
| Karvy Innotech Limited (formerly known as HCL Services Limited)@@ | India | - | 100 |
| Step-down Subsidiary of HCL Learning Limited | | | |
| HCL Insys Pte Limited | Singapore | 100 | 100 |
| Step-down Subsidiary of HCL Services Limited | | | |
| HCL Touch Inc.* | USA | - | 100 |

Notes to Consolidated Financial Statements

| Name of the Subsidiary/ JV | Country of Incorporation | Extent of Holding (%) | |
|--|--------------------------|-----------------------|----------|
| | | 31.03.19 | 31.03.18 |
| Step-down Subsidiary of HCL Infotech Limited | | | |
| HCL Investment Pte. Limited | Singapore | 100 | 100 |
| Step-down Subsidiary of HCL Insys Pte Limited | | | |
| Nurture Technologies FZE (formerly known as HCL Infosystems MEA FZE) | Dubai | 100 | 100 |
| Step-down Subsidiary of HCL Infosystems MEA FZCO | | | |
| Gibraltar Technologies LLC, Dubai (formerly known as HCL Infosystems LLC, Dubai) # | Dubai | - | 49 |
| Gibraltar Technologies LLC, Abu Dhabi (formerly known as HCL Infosystems MEA LLC, Abu Dhabi) # | Abu Dhabi | - | 49 |
| Gibraltar Technologies WLL, (formerly known as HCL Infosystems Qatar, WLL) # | Qatar | - | 49 |

@ The Company was sold with effect from 11.04.2018

@@ The Company was sold with effect from 15.06.2018.

Due to control over composition of the Board of Directors and the Companies are sold with effect from 27.11.2018.

* The Company was dissolved with effect from 04.04.2018.

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 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.

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2.7 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 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 |

2.8 Leases

As a Lessee

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings or other financial liabilities as appropriate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to statement of profit and loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

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.

Notes to Consolidated Financial Statements

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

Profit on sale and leaseback transactions is recognised over the period of the lease.

In sale and leaseback transactions and further sub-lease resulting in finance leases, the deemed sale is recognised at fair value at an amount equal to the net investment in the lease where substantially all risks and rewards of ownership have been transferred to the sub-lessee. A liability is created at the inception of the lease at the lower of fair value or the present value of minimum lease payments for sale and leaseback transaction. Each lease rental payable/receivable is allocated between the liability/receivable and the interest cost/income, so as to obtain a constant periodic rate of interest on outstanding liability/receivable for each period.

2.9 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.

2.10 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 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.

2.11 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.

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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 is subject to an insignificant risk of changes in value.

2.14 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.

2.15 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. 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.

2.16 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.

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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 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.

2.18 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.

2.19 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.

2.20 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 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.

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.

2.21 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.

Effective 01.04.2018, the Group has applied Ind AS 115 which establishes a comprehensive framework for determining whether, how much and when revenue is to be recognised. Ind AS 115 replaces Ind AS 18 Revenue and Ind AS 11 Construction Contracts. The Group has adopted Ind AS 115 using the cumulative effect method. The effect of initially applying this standard is recognised at the date of initial application (i.e. 01.04.2018). The standard is applied retrospectively only to contracts that are not completed as at the date of initial application and the comparative information in the statement of profit and loss is not restated – i.e. the comparative information continues to be reported under Ind AS 18 and Ind AS 11. Refer note 2.21 – Significant accounting policies – Revenue recognition in the Annual report of the Group for the year ended 31.03.2018, for the revenue recognition policy as per Ind AS 18 and Ind AS 11. The impact of the adoption of the standard on the financial statements of the Group is insignificant.

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.

Notes to Consolidated Financial Statements

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.

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.

Notes to Consolidated Financial Statements

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.

2.22 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 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 encased 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.

Notes to Consolidated Financial Statements

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.

2.23 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.

2.24 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.

2.25 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.

Notes to Consolidated Financial Statements

2.26 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.

2.27 Recent accounting pronouncements

As set out below, amendments to standards are effective for annual periods beginning on or after 01.04.2019, and have not been applied in preparing these financial statements.

Ind AS 116 – Leases

Ind AS 116 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. Ind AS 116 will replace the existing leases standard, Ind AS 17 Leases, and related interpretations.

On completion of evaluation of the effect of adoption of Ind AS 116, the Company is proposing to use the 'Modified Retrospective Approach' for transitioning to Ind AS 116, and take the cumulative adjustment to retained earnings, on the date of initial application (01.04.2019). Accordingly, comparatives for the year ending or ended 31.03.2019 will not be retrospectively adjusted. The effect of adoption as on transition date would not be significant.

The effective date for adoption of Ind AS 116 is annual periods beginning on or after 01.04.2019.

Ind AS 12 – Income taxes (amendments relating to uncertainty over income tax treatments)

The amendment to Appendix C of Ind AS 12 specifies that the amendment is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. It outlines the following: (1) the entity has to use judgement, to determine whether each tax treatment should be considered separately or whether some can be considered together. The decision should be based on the approach which provides better predictions of the resolution of the uncertainty (2) the entity is to assume that the taxation authority will have full knowledge of all relevant information while examining any amount (3) entity has to consider the probability of the relevant taxation authority accepting the tax treatment and the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates would depend upon the probability. The Group does not expect any significant impact of the amendment on its financial statements.

Notes to Consolidated Financial Statements

3 (a) Property, Plant & Equipment

| Particulars | Gross carrying amount | | | | | Accumulated depreciation | | | | | Net carrying amount | |
|------------------------|-----------------------|------------------------|------------------------|--|--|--------------------------|------------------|------------------------|------------------------|--|--|------------------|
| | 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 31.03.2019 |
| Leasehold Land | 12.30 | - | - | - | - | 12.30 | 0.44 | 0.16 | - | - | - | 0.60 |
| Leasehold improvements | 8.53 | 6.61 | - | - | 0.13 | 15.27 | 1.69 | 4.44 | - | - | 0.04 | 6.17 |
| Freehold Land | 7.64 | - | - | - | - | 7.64 | - | - | - | - | - | - |
| Buildings | 52.22 | - | 15.28 | - | 0.54 | 37.48 | 4.62 | 1.72 | 0.92 | - | 0.16 | 5.58 |
| Plant and Machinery | 14.48 | - | 0.10 | - | - | 14.38 | 9.38 | 3.30 | 0.01 | - | - | 12.67 |
| Furniture and Fixtures | 9.71 | 0.36 | 0.24 | - | 0.01 | 9.84 | 3.62 | 1.22 | 0.19 | - | 0.01 | 4.66 |
| Office Equipments | 4.87 | 0.42 | 0.31 | - | 0.06 | 5.04 | 1.80 | 0.60 | 0.21 | - | 0.03 | 2.22 |
| Vehicles | 2.88 | - | 1.37 | - | - | 1.51 | 1.23 | 0.70 | 1.07 | - | - | 0.86 |
| Computers | 21.73 | 1.71 | 1.63 | - | 0.45 | 22.26 | 8.01 | 6.00 | 1.52 | - | 0.17 | 12.66 |
| Total | 134.36 | 9.10 | 18.93 | - | 1.19 | 125.72 | 30.79 | 18.14 | 3.92 | - | 0.41 | 45.42 |
| | | | | | | | | | | | | 80.30 |

Notes:

1. Land and Building at Ambattur amounting to ₹ 3.16 crores (2018- ₹ 3.20 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 45.

Property, Plant & Equipment

| Particulars | Gross carrying amount | | | | | Accumulated depreciation | | | | | Net carrying amount | |
|------------------------|-----------------------|----------------------|---------------------|--|--|--------------------------|------------------|----------------------|---------------------|--|---------------------|--|
| | As at 01.04.2017 | Additions/Adjustment | Disposal/Adjustment | Transferred to discontinued operations | Effect of foreign currency translation | As at 31.03.2018 | As at 01.04.2017 | Additions/Adjustment | Disposal/Adjustment | Transferred to discontinued operations | | Effect of foreign currency translation |
| Leasehold Land | 12.30 | - | - | - | - | 12.30 | 0.28 | 0.16 | - | - | - | 0.44 |
| Leasehold improvements | 10.74 | 6.27 | 3.03 | 5.74 | 0.29 | 8.53 | 3.95 | 3.68 | 1.10 | 4.98 | 0.13 | 1.69 |
| Freehold Land | 7.64 | - | - | - | - | 7.64 | - | - | - | - | - | - |
| Buildings | 52.94 | - | 0.72 | - | - | 52.22 | 2.98 | 1.69 | 0.04 | - | - | 4.62 |
| Plant and Machinery | 23.25 | 0.32 | 1.04 | 8.05 | 0.00 | 14.48 | 12.25 | 4.80 | 0.52 | 7.14 | - | 9.38 |
| Furniture and Fixtures | 11.19 | 1.67 | 1.30 | 2.02 | 0.17 | 9.71 | 2.54 | 2.98 | 0.28 | 1.73 | 0.09 | 3.62 |
| Office Equipments | 7.10 | 0.86 | 1.00 | 2.09 | - | 4.87 | 3.16 | 0.01 | 0.52 | 0.85 | - | 1.80 |
| Vehicles | 4.35 | 0.20 | 1.11 | 0.56 | - | 2.88 | 1.39 | 1.09 | 0.73 | 0.52 | - | 1.23 |
| Computers | 30.07 | 17.11 | 16.32 | 9.83 | 0.70 | 21.73 | 17.33 | 9.80 | 11.31 | 8.14 | 0.33 | 8.01 |
| Total | 159.58 | 26.43 | 24.52 | 28.29 | 1.16 | 134.36 | 43.88 | 24.21 | 14.50 | 23.36 | 0.55 | 30.79 |
| | | | | | | | | | | | | 103.57 |

Notes:

1. Land and Building at Ambattur amounting to ₹ 3.20 crores (2017- ₹ 3.24 crores) are pending registration in the name of the Group.

Notes to Consolidated Financial Statements

3 (b) Other Intangible Assets

| Particulars | Gross carrying amount | | | | | Accumulated amortisation/impairment | | | | | Net carrying amount | |
|------------------------------|-----------------------|------------------------|----------------------|--|--|-------------------------------------|------------------|------------------------|----------------------|--|--|------------------|
| | 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 31.03.2019 |
| Intangible Assets: | | | | | | | | | | | | |
| Software | 10.72 | 3.20 | - | - | 0.23 | 14.15 | 3.87 | 3.49 | - | - | 0.11 | 7.47 |
| 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 | 5.57 | 3.49 | - | - | 0.11 | 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.

Other Intangible Assets

| Particulars | Gross carrying amount | | | | | Accumulated amortisation/impairment | | | | | Net carrying amount | |
|------------------------------|-----------------------|------------------------|----------------------|--|--|-------------------------------------|------------------|------------------------|----------------------|--|--|------------------|
| | As at 01.04.2017 | Additions / Adjustment | Disposal/ Adjustment | Transferred to discontinued operations | Effect of foreign currency translation | As at 31.03.2018 | As at 01.04.2017 | Additions / Adjustment | Disposal/ Adjustment | Transferred to discontinued operations | Effect of foreign currency translation | As at 31.03.2017 |
| Intangible Assets: | | | | | | | | | | | | |
| Software | 8.59 | 8.96 | 2.59 | 4.70 | 0.46 | 10.72 | 5.83 | 2.73 | 0.50 | 4.45 | 0.26 | 3.87 |
| Intellectual Property Rights | 28.97 | - | 28.83 | - | 0.09 | 0.23 | 13.65 | 7.67 | 21.18 | - | 0.09 | 0.23 |
| Technical Knowhow | 4.70 | - | 3.24 | - | - | 1.46 | 4.40 | 0.41 | 3.35 | - | - | 1.46 |
| Total | 42.26 | 8.96 | 34.66 | 4.70 | 0.55 | 12.41 | 23.88 | 10.81 | 25.03 | 4.45 | 0.35 | 5.56 |
| | | | | | | | | | | | | 6.85 |

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.

Notes to Consolidated Financial Statements

3 (c) 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 | |
| | 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 | As at 31.03.2019 |
| Goodwill on consolidation | 572.38 | - | - | - | 572.38 | 517.41 | - | - | 54.97 |
| Total | 572.38 | - | - | - | 572.38 | 517.41 | - | - | 54.97 |

Goodwill

| Particulars | Gross carrying amount | | | | Accumulated impairment | | | | Net carrying amount |
|---------------------------|-----------------------|------------------------|-----------------------|--|------------------------|------------------|------------------------|-----------------------|---------------------|
| | As at 01.04.2017 | Additions / Adjustment | Disposal / Adjustment | Transferred to discontinued operations | As at 31.03.2018 | As at 31.03.2017 | Additions / Adjustment | Disposal / Adjustment | |
| | As at 01.04.2017 | Additions / Adjustment | Disposal / Adjustment | Transferred to discontinued operations | As at 31.03.2018 | As at 31.03.2017 | Additions / Adjustment | Disposal / Adjustment | As at 31.03.2018 |
| Goodwill | 56.89 | - | - | - | 56.89 | - | 56.89 | - | - |
| Goodwill on Consolidation | 578.35 | - | - | 5.97 | 572.38 | 131.00 | 386.41 | - | 54.97 |
| Total | 635.24 | - | - | 5.97 | 629.27 | 131.00 | 443.30 | - | 54.97 |

Notes:

1. Addition in amortisation and impairment during the year ended 31.03.2018 includes impairment of Goodwill in respect of Learning Business ₹ 31.42 Crores and in respect of Services business ₹ 411.88 crores.

Notes to Consolidated Financial Statements

3 (d) Capital work-in-progress

| ₹/Crores | | | | |
|--------------------------|---------------------|----------|-------------------------------|---------------------|
| Particulars | As at 01.04.2018 | Addition | Capitalisation /Adjustment | As at 31.03.2019 |
| Capital work-in-progress | 2.25 | - | 2.21 | 0.04 |

Capital work-in-progress

| ₹/Crores | | | | |
|--------------------------|---------------------|----------|-------------------------------|---------------------|
| Particulars | As at 01.04.2017 | Addition | Capitalisation /Adjustment | As at 31.03.2018 |
| Capital work-in-progress | 1.42 | 0.83 | - | 2.25 |

3 (e) Intangible assets under development

| ₹/Crores | | | | |
|-------------------------------------|---------------------|----------|-------------------------------|---------------------|
| Particulars | As at 01.04.2018 | Addition | Capitalisation /Adjustment | As at 31.03.2019 |
| Intangible assets under development | - | - | - | - |

Intangible assets under development

| ₹/Crores | | | | |
|-------------------------------------|---------------------|----------|-------------------------------|---------------------|
| Particulars | As at 01.04.2017 | Addition | Capitalisation /Adjustment | As at 31.03.2018 |
| Intangible assets under development | 3.15 | - | 3.15 | - |

| | As at 31.03.2019 | | As at 31.03.2018 | |
|--|------------------|--------------------|------------------|--------------------|
| | Units | Amount ₹/Crores | Units | Amount ₹/Crores |
| 4 Current investments | | | | |
| Unquoted (Others) | | | | |
| Investment in mutual funds at FVTPL | | | | |
| (i) Growth options | | | | |
| Aditya Birla Sunlife Cash Plus | - | - | 767,158 | 21.34 |
| ICICI Prudential Liquid Fund | - | - | 390,694 | 10.02 |
| UTI Liquid Cash Plan | - | - | 71,292 | 20.22 |
| Sub-total (A) | | - | | 51.58 |
| (ii) Dividend options | | | | |
| Axis Treasury Advantage Fund # | - | - | 601,311 | 60.65 |
| UTI Treasury Advantage Plan # | - | - | 99,438 | 9.99 |
| Sub-total (B) | | - | | 70.64 |
| Total Current Investments (A+B) | | - | | 122.22 |
| # Under lien with bank | | | | |
| Aggregate amount of unquoted investment | | - | | 122.22 |

Notes to Consolidated Financial Statements

| | As at 31.03.2019 | | As at 31.03.2018 | |
|---|------------------|--------------------|------------------|--------------------|
| | | Amount ₹/Crores | | Amount ₹/Crores |
| 5 Other Non-Current Financial Assets | | | | |
| Bank deposits with original maturity of more than twelve months | | 0.98 | | 0.51 |
| Security deposits | | 2.91 | | 3.91 |
| Business consideration receivable | | 70.82 | | - |
| Lease rental recoverable | - | | 1.77 | |
| Less: Allowance for doubtful lease rental recoverable | - | - | 0.15 | 1.62 |
| TOTAL | | 74.71 | | 6.04 |
| 6 Deferred tax asset (net) (refer note 38) | | | | |
| Deferred tax asset | | 65.02 | | 65.02 |
| | | 65.02 | | 65.02 |
| 7 Advance income tax asset (net) | | | | |
| Advance income tax [Provision for income tax of ₹ 48.16 crores (2018- ₹ 52.70 crores,)] | | 112.15 | | 127.20 |
| TOTAL | | 112.15 | | 127.20 |
| 8 Other non-current assets | | | | |
| Unsecured, considered good | | | | |
| Capital advances | | 0.19 | | 0.20 |
| Others | | | | |
| Balances with government authorities | | 155.56 | | 152.64 |
| Others | | 0.63 | | 0.57 |
| Considered Doubtful | | | | |
| Capital advances | 0.50 | | 0.50 | |
| Less: Allowance for doubtful loans and advances | (0.50) | - | (0.50) | - |
| TOTAL | | 156.38 | | 153.41 |
| 9 Inventories | | | | |
| Raw materials and components [Including in-transit ₹ 0.02 Crores (2018 - ₹ 0.02 crores)] | | 0.15 | | 0.06 |
| Finished goods [Including in-transit ₹ Nil (2018 - ₹ 0.05 crores)] | | 0.16 | | 0.18 |
| Stock-in-trade [Including in-transit ₹ 11.58 crores (2018- ₹ 35.79 crores)] | | 94.98 | | 298.50 |
| Stores and spares | | 0.22 | | 0.20 |
| TOTAL | | 95.51 | | 298.94 |

Write-downs of inventories to net realisable value recognised as an expense during the year amounts to ₹ 3.73 crores (2018- ₹ 37.52 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 31.03.2019 | | As at 31.03.2018 | |
|--|------------------|--------------------|------------------|--------------------|
| | | Amount ₹/Crores | | Amount ₹/Crores |
| 10 Trade receivables (refer note 33) | | | | |
| Unsecured: | | | | |
| Considered good | 569.44 | | 1,289.63 | |
| Considered doubtful | 217.63 | | 180.01 | |
| | 787.07 | | 1,469.64 | |
| Less: Allowance for doubtful debts | 217.63 | 569.44 | 180.00 | 1,289.64 |
| TOTAL | | 569.44 | | 1,289.64 |
| Pursuant to adoption of Ind AS 115, effective from 01.04.2019 the Company has reclassified ₹ 293.80 crores from "Trade receivables" to "Other current assets". | | | | |
| 11 Cash and cash equivalents | | | | |
| Balances with banks | | | | |
| - current account | | 65.24 | | 86.74 |
| Cash on hand | | 0.05 | | - |
| Cheques on hand | | 17.80 | | 11.93 |
| Bank deposits with original maturity of three months or less | 71.47 | | 11.32 | |
| Less: Money held in Trust | 0.31 | 71.16 | 0.31 | 11.01 |
| TOTAL | | 154.25 | | 109.68 |
| 12 Other bank balances | | | | |
| Bank deposits with original maturity of more than three months and up to twelve months* | | 82.16 | | 19.58 |
| Balance with banks | | | | |
| - On margin account | | 3.09 | | 3.06 |
| - On dividend account | | 0.12 | | 0.62 |
| TOTAL | | 85.37 | | 23.26 |
| * includes ₹ 15 crores (2018 - 5.90 crores) lien marked with Banks | | | | |

Notes to Consolidated Financial Statements

| | As at 31.03.2019 | | As at 31.03.2018 | |
|--|------------------|--------------------|------------------|--------------------|
| | | Amount ₹/Crores | | Amount ₹/Crores |
| 13 Other financial assets | | | | |
| Lease rental recoverable (refer note 39) | 5.86 | | 21.01 | |
| Less: Allowance for doubtful lease rental recoverable | 5.45 | 0.41 | 11.69 | 9.32 |
| Security deposits | | 2.21 | | 6.65 |
| Unbilled revenue | | 44.72 | | 73.81 |
| Claims recoverable from vendor | | 56.12 | | 63.42 |
| Others (includes employee advances, insurance claim recoverable) | | 4.92 | | 4.48 |
| Considered doubtful | | | | |
| Others (includes employee advances, insurance claim recoverable) | 12.52 | | 11.07 | |
| Less: Allowance for doubtful loans and advances | 12.52 | - | 11.07 | - |
| TOTAL | | 108.38 | | 157.68 |
| 14 Other current assets | | | | |
| Unsecured, considered good | | | | |
| Balances with customs, port trust, excise, sales tax and goods and service tax authorities | | 91.97 | | 83.72 |
| Advances to creditors | | 16.68 | | 24.24 |
| Contract assets | | 293.80 | | - |
| Prepaid expenses | | 15.35 | | 29.51 |
| Others (expenses recoverable) | | 1.99 | | 2.40 |
| Considered doubtful | | | | |
| Other current assets | 7.81 | | 7.30 | |
| Less: Allowance for doubtful other current assets | 7.81 | - | 7.30 | - |
| TOTAL | | 419.79 | | 139.87 |
| 15 Equity share capital and other equity | | | | |
| (a) <u>Authorised</u> | | | | |
| 55,25,00,000 Equity Shares (2018 - 55,25,00,000) of ₹ 2/- each | | 110.50 | | 110.50 |
| 5,00,000 Preference Shares (2018 - 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 (2018 - 32,92,09,928) of ₹ 2/- each | | 65.84 | | 65.84 |
| (Fully Paid up) (Number of share issued: 2019- Nil, 2018-106,290,299) | | | | |
| 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 | 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 44.

(b) Other equity

| | As at 31.03.2019 ₹/Crores | As at 31.03.2018 ₹/Crores |
|---|---------------------------------|---------------------------------|
| Reserve and surplus | | |
| Securities premium reserve | | |
| Opening balance | 1,194.37 | 720.16 |
| On issue of shares (net of issue related expenses) | - | 474.21 |
| 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 | (1,256.37) | (442.22) |
| Remeasurement of post-employment benefit obligation, net of tax | (1.42) | (0.39) |
| Net loss for the year | (135.20) | (813.76) |
| Closing balance | (1,392.99) | (1,256.37) |
| Foreign currency translation of foreign operations | | |
| Opening balance # | 15.70 | 11.10 |
| Exchange difference on translation of foreign operations | 5.43 | 4.60 |
| Closing balance | 21.13 | 15.70 |
| Total Other Equity attributable to the shareholders of HCL Infosystems Limited | 38.31 | 169.50 |

Notes to Consolidated Financial Statements

| | As at 31.03.2019 ₹/Crores | As at 31.03.2018 ₹/Crores |
|---|---------------------------------|---------------------------------|
| Financial Liabilities | | |
| 16 Non-current borrowings | | |
| Secured: | | |
| Term loans | | |
| - From banks | - | 58.75 |
| - From others | - | 10.24 |
| | - | 68.99 |
| Unsecured: | | |
| Term loans | | |
| - From others | 99.08 | 99.83 |
| Finance lease obligation (refer note 38) | - | 0.35 |
| | 99.08 | 100.18 |
| TOTAL | 99.08 | 169.17 |

Notes:

- Secured term loan from bank and others amounting to ₹ 68.90 crores (2018 - ₹ 185.11 crores), out of which ₹ 68.90 crores (2018 - ₹ 116.12 crores) is shown under current maturity of long term debt, is 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 ₹ 34.84 crores (2018 - ₹ 70.56 crores) .The loan is repayable in 13 quarterly installments starting from September 2016 and carries interest @ 10.05 % to 10.55% p.a.
- Unsecured term loans from others amounting to Nil (2018 - ₹ 4.84 crores) and ₹ 1.96 crores (2018 - ₹ 3.39 crores), out of which ₹ 1.36 crores (2018 - ₹ 6.69 crores) is shown under current maturity of long term loan, are repayable in 10 equal half yearly and 4 yearly (interest free) installments from the date of the loans and in 9 half yearly installments (carries interest @ 2.97%) from the date of the loan disbursement.
- Unsecured term loans from others amounting to ₹ 254.71 crores (2018 - ₹ 229.47 crores), out of which ₹ 156.23 crores (2018 - ₹ 131.18 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.
- Secured term loans from bank amounting to ₹ 74.45 crores (2018 - Nil), out of which ₹ 74.45 crores (2018 - Nil) is shown under current maturity of long term debt, is secured by way of subservient charge on current and movable fixed assets of the Company and is repayable in 4 equal quarterly installments from the date of the disbursement which carries interest @ 9.65% to 10.75% p.a.
- Unsecured term loans from others amounting to Nil (2018 - ₹ 1.70 crores), out of which Nil (2018 - ₹ 1.70 crores) is shown under current maturity of long term debt, is repayable in 1 quarterly, 1 half yearly and balance 16 quarterly installments from the date of the disbursement which carries interest @ 13.04 % p.a.

Note:

- As per Ind AS provisions, the term loan balances are adjusted with the transaction/processing fees paid on the facility.
- Subsidiaries include HCL Infotech Limited and HCL Learning Limited.

Notes to Consolidated Financial Statements

| | As at 31.03.2019 ₹/Crores | As at 31.03.2018 ₹/Crores |
|--|---------------------------------|---------------------------------|
| 17 Non-current provisions (refer note 41) | | |
| Provision for gratuity and other employee benefits | 7.88 | 9.62 |
| TOTAL | 7.88 | 9.62 |
| 18 Current borrowings | | |
| Secured: | | |
| Loans from Banks | | |
| - Term loans | 418.43 | 375.77 |
| - Cash credits | 19.71 | 63.72 |
| | 438.14 | 439.49 |
| Unsecured: | | |
| Loans repayable on demand | | |
| From Banks* | 31.98 | 46.58 |
| Term loan from others* | 28.28 | 171.91 |
| From related parties | - | 20.00 |
| Commercial paper | - | 147.41 |
| | 60.26 | 385.90 |
| TOTAL | 498.40 | 825.39 |

Note:

- Secured term loan from banks amounting to ₹ 124.37 crores (2018 - ₹ 99.80 crores) is secured by way of (1) First pari passu charge on all immovable, 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. It carries interest @ 9.70% to 9.80 % p.a.
- Short term loan of ₹ 99.98 crores (2018 - ₹ 24.97 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 ₹ 99.98 crores is repayable in one year from the date of disbursement and carries interest @ 9 % p.a.
- Secured loan (cash credit and WCDL) from banks amounting to ₹ 39.70 crores (2018 - ₹ 139.08 crores) are secured by way of (1) First pari passu charge on all immovable, 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.
- Secured term loan from banks amounting to ₹ Nil (2018 - ₹ 50 crores) is 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. It carries interest @ 9% p.a.
- Secured short term loan of ₹ Nil (2018 - ₹ 100 crores) is secured by way of subservient charge on current and movable fixed assets of the Company. Short term loan of ₹ NIL (2018 - ₹ 100 crores) is repayable in 3 months from the date of disbursement and carries interest @ 8.25% p.a.
- Unsecured term loans from other amounting to ₹ Nil (2018 - ₹ 149.16 crores) and against Support from HCL Corporation Private Limited is repayable in 1 yearly installments from the date of the disbursement which carries interest @ 8.80% p.a.
- Secured Term loans from Banks amounting to ₹ 149.14 crores (2018 - Nil) 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

Notes to Consolidated Financial Statements

for ₹ 15 Crores is repayable in 1 yearly installments from the date of the disbursement which carries interest @ 8.75% p.a.

- viii. Secured short term loan of ₹ 24.95 crores (2018 - ₹ 20 crores) is secured by way of subservient charge on current and movable fixed assets of the Company. Short term loan of ₹ 24.95 crores (2018 - ₹ 20 crores) is repayable after 6 months from the date of disbursement and carries interest @ 10.50% p.a.
- ix. Unsecured commercial papers from others amounting to Nil (2018 - ₹ 147.41 crores) is repayable in next 12 months from the date of availment of each tranche, which carries interest @ 8% to 10.80% p.a.
- x. Unsecured intercorporate loan from HCL Corporation Private Limited amounting to Nil (2018 - ₹ 20 crores) is repayable in next 2 months from the date of availment of each tranche, which carries interest @ 10% p.a.
- xi. Secured loan from banks amounting to Nil (2018 - ₹ 5.65 crores) are secured by way of general charge over the receivables of HCL Insys Pte Limited and continuing guarantee from HCL Infosystems Limited.

* Includes ₹ 60.26 crores (2018- ₹ 69.33 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.

| | As at 31.03.2019 ₹/Crores | As at 31.03.2018 ₹/Crores |
|--|---------------------------------|---------------------------------|
| 19 Trade payables | | |
| (a) Total outstanding dues of micro enterprises and small enterprises and | 5.93 | 9.25 |
| (b) Total outstanding dues of creditors other than micro enterprises and small enterprises [Including acceptance ₹ 35.75 crores (2018 - ₹ 34.82 crores)] | 674.02 | 829.81 |
| TOTAL | 679.95 | 839.06 |
| 20 Other financial liabilities | | |
| Current maturities of long-term debts (refer note 16) | 300.94 | 255.69 |
| Current maturities of finance lease obligations (refer note 16) | 0.37 | 1.82 |
| Interest accrued but not due on borrowings | 6.28 | 4.92 |
| Unpaid dividends* | 0.12 | 0.62 |
| Employee benefits payable | 20.97 | 23.27 |
| Capital creditors | 0.23 | 0.44 |
| Deposits | 5.66 | 7.59 |
| Other | - | 10.00 |
| TOTAL | 334.57 | 304.35 |
| * There are no amount due and outstanding to be credited to Investor Education and Protection Fund under Section 125 of the Companies Act, 2013. These shall be credited and paid to the fund as and when due. | | |
| 21 Other current liabilities | | |
| Deferred revenue | 130.86 | 173.97 |
| Advances received from customers | 60.95 | 55.67 |
| Others | 3.33 | 1.85 |
| Statutory dues payable | 22.25 | 17.35 |
| TOTAL | 217.39 | 248.84 |

Notes to Consolidated Financial Statements

| | As at 31.03.2019 ₹/Crores | As at 31.03.2018 ₹/Crores |
|--|---------------------------------|---------------------------------|
| 22 Current provisions | | |
| Provision for gratuity and other employee benefits (refer note 41) | 6.14 | 8.67 |
| Provision for contract losses | 31.34 | 123.47 |
| Provision for litigations {refer note 32 (b) (ii)} | 9.92 | 18.77 |
| TOTAL | 47.40 | 150.91 |
| 23 Current tax liabilities (net) | | |
| Current income tax liabilities [Advance income tax of ₹ 12.99 crores (2018- ₹ 7.57 crores)] | 3.09 | 3.22 |
| TOTAL | 3.09 | 3.22 |

| | Year ended 31.03.2019 ₹/Crores | Year ended 31.03.2018 ₹/Crores |
|---|--------------------------------------|--------------------------------------|
| 24 Revenue from operations | | |
| Sale of products | 3,720.61 | 3,017.21 |
| Sale of services | 509.61 | 417.35 |
| Revenue from long term composite contracts | 109.69 | 129.99 |
| Other operating revenue | | |
| - Scrap sale | 0.13 | 0.07 |
| TOTAL | 4,340.04 | 3,564.63 |
| 25 Other income | | |
| Interest Income from financial asset at amortised cost | | |
| - On lease rental | 1.03 | 4.08 |
| - On fixed deposits | 4.52 | 3.58 |
| - On others | 0.08 | 0.55 |
| - On trade receivables | 53.50 | 75.08 |
| Dividend from unquoted (others) current investments | 1.74 | 3.23 |
| Gain on sale of investment carried at fair value through profit or loss | 3.35 | 1.61 |
| Net profit on sale of property, plant and equipment | 0.04 | 1.72 |
| Gain on foreign exchange fluctuation | 1.73 | 1.92 |
| Provisions/liabilities no longer required written back | 10.16 | 26.69 |
| Miscellaneous income | 26.21 | 12.27 |
| TOTAL | 102.36 | 130.73 |

Notes to Consolidated Financial Statements

| | Year ended 31.03.2019 ₹/Crores | Year ended 31.03.2018 ₹/Crores |
|---|--------------------------------------|--------------------------------------|
| 26 Changes in inventories of finished goods, work-in-progress and stock-in-trade | | |
| Closing balance | | |
| - Finished goods (including in transit) | 0.16 | 0.18 |
| - Stock-in-trade | 94.98 | 298.50 |
| | 95.14 | 298.68 |
| Opening balance | | |
| - Finished goods (including in transit) | 0.18 | 0.11 |
| - Stock-in-trade | 298.50 | 80.77 |
| | 298.68 | 80.88 |
| Changes in inventories of finished goods, work-in-progress and stock-in-trade | 203.54 | (217.80) |
| 27 Other direct expenses | | |
| Purchase of services | 321.40 | 307.33 |
| Spares and stores consumed | 10.08 | 18.23 |
| Excise duty | - | 0.04 |
| TOTAL | 331.48 | 325.60 |
| 28 Employee benefits expense | | |
| Salaries, wages, bonus and gratuity | 277.50 | 260.06 |
| Contribution to provident and other funds (refer note 41) | 11.53 | 12.29 |
| Staff welfare expenses | 2.95 | 3.66 |
| TOTAL | 291.98 | 276.01 |
| 29 Finance costs | | |
| Interest | 110.51 | 131.01 |
| Other borrowing costs | 12.53 | 10.12 |
| TOTAL | 123.04 | 141.13 |
| 30 Other expenses | | |
| Rent (refer note 39) | 20.53 | 17.52 |
| Rates and taxes | 2.26 | 7.08 |
| Printing and stationery | 1.27 | 1.59 |
| Communication | 4.60 | 3.81 |
| Travelling and conveyance | 6.91 | 8.13 |
| Packing, freight and forwarding | 4.96 | 5.59 |
| Legal, professional and consultancy charges (refer note 43) | 29.86 | 29.27 |
| Retainership expenses | 10.54 | 14.98 |
| Training and conference | 0.80 | 0.80 |
| Office electricity and water | 6.17 | 5.36 |

Notes to Consolidated Financial Statements

| | Year ended 31.03.2019 ₹/Crores | Year ended 31.03.2018 ₹/Crores |
|--|--------------------------------------|--------------------------------------|
| Insurance | 6.80 | 4.94 |
| Advertisement, publicity and entertainment | 1.56 | 1.35 |
| Hire charges | 1.88 | 2.25 |
| Commission on sales | 5.30 | 2.90 |
| Bank charges | 12.64 | 9.98 |
| Allowance for doubtful debts | 60.87 | 41.88 |
| Allowance for doubtful loans and advances and other current assets | 0.63 | 5.41 |
| Provision for Doubtful Other Current Assets | 1.28 | - |
| Property, plant and equipment written-off | - | 10.65 |
| Diminution in the value of unquoted/quoted (others) current investments | - | 0.01 |
| Repairs | | |
| - Plant and Machinery | 0.36 | 0.29 |
| - Buildings | 0.85 | 0.70 |
| - Others | 5.67 | 3.89 |
| Net loss on foreign exchange fluctuation (other than considered as finance cost) | 0.55 | 2.14 |
| Miscellaneous | 0.16 | 6.06 |
| TOTAL | 186.45 | 186.58 |

31 Exceptional items include :

| | ₹/Crores | |
|---------------------------|--------------------------|--------------------------|
| Particulars | Year ended 31.03.2019 | Year ended 31.03.2018 |
| a. Impairment of goodwill | - | (31.42) |
| Total | - | (31.42) |

32 Contingent Liabilities :

(a) Claims against the Company not acknowledged as debts:

| | ₹/Crores | |
|--|---------------------|---------------------|
| | As at 31.03.2019 | As at 31.03.2018 |
| Sales tax* | 273.60 | 276.55 |
| Excise* | 473.82 | 345.02 |
| Income tax | 23.72 | 25.12 |
| Industrial disputes, civil suits and consumer disputes | 2.53 | 4.60 |

* Includes sum of ₹ 140.96 crores (2018 - ₹ 130.18 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.

Notes to Consolidated Financial Statements

(b) Other Litigations :

- (i) The Company has been named in a supplementary charge sheet filed with the Court with respect to a contract awarded to HCL Infosystems Limited in 2009 by the UP state Government, amounting to ₹ 4.94 crores, for the supply of computer hardware and related services under the National Rural Health Mission and therefore summons have been issued to the Company by the Court. The matter is currently pending for adjudication before the Special Court CBI . The management is of the view that the Company has not been engaged in any wrong doing.
- (ii) As at 31.03.2019, the Group has certain sales tax and other litigation matters against which provision amounts to ₹ 9.92 crores (2018- ₹ 18.77 crores). Provision of ₹ 1.31 crores (FY 1718- ₹ 2.09 crores) was made during the year and ₹ 10.15 crores (FY1718- Nil) utilised during the year.

33 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

HCL Talent Care Private Limited

Shiv Nadar Foundation

VAMA Sundari Investments (Delhi) Private Limited

Naksha Enterprises Private Limited

c) Key Management Personnel:

Mr. Premkumar Seshadri* (Executive Vice Chairman and Managing Director, till 31.03.2018)

Mr. Rangarajan Raghavan (Managing Director, with effect from 01.04.2018)

Mr. S G Murali (Group CFO, till 15.09.2017)

Mr. Kapil Kapur# (CFO with effect from 01.04.2018)

Mr. Sushil Jain (Company Secretary)

*Remuneration has been paid by HCL Corporation Private Limited

Deputy CFO from 15.09.2017 to 31.03.2018.

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-19 | Mar-18 | Mar-19 | Mar-18 | Mar-19 | Mar-18 | Mar-19 | Mar-18 |
| Sales and related income | 0.12 | 0.05 | 206.79 | 162.13 | - | - | 206.91 | 162.18 |
| - HCL Corporation Private Limited | 0.12 | 0.03 | - | - | - | - | - | - |
| - HCL Technologies Limited | - | - | 198.78 | 157.73 | - | - | - | - |

Notes to Consolidated Financial Statements

₹/Crores

| A. Transactions | Company having substantial interest | | Others | | Key Management Personnel | | Total | |
|--|-------------------------------------|--------|--------------|--------|--------------------------|--------|--------------|--------|
| | Mar-19 | Mar-18 | Mar-19 | Mar-18 | Mar-19 | Mar-18 | Mar-19 | Mar-18 |
| Sale of Services | - | - | 0.17 | 0.03 | - | - | 0.17 | 0.03 |
| - HCL Technologies Limited | - | - | 0.17 | - | - | - | - | - |
| - Shiv Nadar Foundation | - | - | - | 0.03 | - | - | - | - |
| Purchase of services | - | - | 5.60 | 5.20 | - | - | 5.60 | 5.20 |
| - HCL Technologies Limited | - | - | 5.21 | 4.34 | - | - | - | - |
| Current borrowings taken (net) | - | 20.00 | - | - | - | - | - | 20.00 |
| - HCL Corporation Private Limited | - | 20.00 | - | - | - | - | - | - |
| Current borrowings paid (net) | 20.00 | - | - | - | - | - | 20.00 | - |
| - HCL Corporation Private Limited | 20.00 | - | - | - | - | - | - | - |
| Interest on loans and advance taken (net) | 2.94 | 0.87 | - | - | - | - | 2.94 | 0.87 |
| - HCL Corporation Private Limited | 2.94 | 0.87 | - | - | - | - | - | - |
| Rent received | - | - | 2.61 | 4.18 | - | - | 2.61 | 4.18 |
| - HCL Technologies Limited | - | - | 1.98 | 1.88 | - | - | - | - |
| - HCL Comnet Limited | - | - | 0.63 | 2.18 | - | - | - | - |
| - HCL Talent Care Private Limited | - | - | - | 0.12 | - | - | - | - |
| Remuneration | - | - | - | - | 3.70 | 2.13 | 3.70 | 2.13 |
| - Mr. Rangarajan Raghavan | - | - | - | - | 1.51 | - | - | - |
| - Mr. S.G. Murali | - | - | - | - | - | 1.19 | - | - |
| - Mr.Kapil Kapur | - | - | - | - | 1.60 | 0.47 | - | - |
| - Mr.Sushil Jain | - | - | - | - | 0.59 | 0.47 | - | - |
| Issue of share (including share premium) | - | 444.63 | - | - | - | - | - | 444.63 |
| - HCL Corporation Private Limited | - | 249.28 | - | - | - | - | - | - |
| - VAMA Sundari Investments (Delhi) Private Limited | - | 195.35 | - | - | - | - | - | - |
| Reimbursements towards expenditure made * | 1.42 | 1.74 | - | - | - | - | 1.42 | 1.74 |
| - HCL Corporation Private Limited | 1.42 | 1.74 | - | - | - | - | - | - |
| B. Amount due to/from related parties at year end | | | | | | | | |
| Trade receivables | 0.01 | 0.04 | 43.79 | 51.13 | - | - | 43.80 | 51.17 |
| Other recoverable | 0.07 | - | - | - | - | - | 0.07 | - |
| Loans and advances | - | - | - | 0.07 | - | - | - | 0.07 |
| Trade payables | 1.45 | 0.76 | 4.28 | 2.29 | - | - | 5.73 | 3.05 |
| Other payables | - | 1.74 | - | - | - | - | - | 1.74 |

* Related to Corporate Guarantee of ₹ 286 crores (2018 - ₹ 1,147 crores) taken from HCL Corporation Private Limited.

Notes to Consolidated Financial Statements

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 31.03.2019 | Year ended 31.03.2018 |
|----|--|--------------------------|--------------------------|
| | Short-term employee benefits | 3.70 | 2.13 |
| | Total compensation paid to key management personnel | 3.70 | 2.13 |

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.

34 Financial Instruments

The carrying value of financial instruments by categories are as under as at 31.03.2019:

₹/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 | 5 | - | - | 74.71 | 74.71 | 74.71 |
| | | - | - | (6.04) | (6.04) | (6.04) |
| | | - | - | 74.71 | 74.71 | 74.71 |
| | | - | - | (6.04) | (6.04) | (6.04) |
| Current assets | | | | | | |
| (i) Investments | 4 | - | - | - | - | - |
| | | - | (122.22) | - | (122.22) | (122.22) |
| (ii) Trade receivables | 10 | - | - | 569.44 | 569.44 | 569.44 |
| | | - | - | (1,289.64) | (1,289.64) | (1,289.64) |
| (iii) Cash and cash equivalents | 11 | - | - | 154.25 | 154.25 | 154.25 |
| | | - | - | (109.68) | (109.68) | (109.68) |
| (iv) Bank balances other than (iii) above | 12 | - | - | 85.37 | 85.37 | 85.37 |
| | | - | - | (23.26) | (23.26) | (23.26) |
| (vi) Others | 13 | - | - | 108.37 | 108.37 | 108.37 |
| | | - | - | (157.68) | (157.68) | (157.68) |
| | | - | - | 917.44 | 917.44 | 917.44 |
| | | - | (122.22) | (1,580.26) | (1,702.48) | (1,702.48) |
| Financial Liabilities | | | | | | |
| Non-current liabilities | | | | | | |
| (i) Borrowings | 16 | - | - | 99.08 | 99.08 | 99.08 |
| | | - | - | (169.17) | (169.17) | (169.17) |
| | | - | - | 99.08 | 99.08 | 99.08 |
| | | - | - | (169.17) | (169.17) | (169.17) |

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 liabilities | | | | | | |
| (i) Borrowings | 18 | - | - | 498.40 | 498.40 | 498.40 |
| | | - | - | (825.39) | (825.39) | (825.39) |
| (ii) Trade payables | 19 | - | - | 679.95 | 679.95 | 679.95 |
| | | - | - | (839.06) | (839.06) | (839.06) |
| (iii) Other financial liabilities | 20 | - | - | 334.57 | 334.57 | 334.57 |
| | | - | - | (304.35) | (304.35) | (304.35) |
| | | - | - | 1,512.92 | 1,512.92 | 1,512.92 |
| | | - | - | (1,968.80) | (1,968.80) | (1,968.80) |

Note: Previous year figures are given in brackets.

Fair value hierarchy

This section explains the judgments and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

Quantitative disclosures of fair value measurement hierarchy for assets and liabilities:

| Fair Value measurement using | | | | | ₹/Crores |
|---------------------------------|-------------------|---------------------------------|-------------------------------|---------------------------------|----------|
| | Date of Valuation | Quoted prices in active markets | Significant Observable inputs | Significant Unobservable inputs | Total |
| | | (Level 1) | (Level 2) | (Level 3) | |
| Assets measured at FVTPL | | | | | |
| Investment in mutual funds | 31.03.2019 | - | - | - | - |
| Investment in mutual funds | 31.03.2018 | - | 122.22 | - | 122.22 |

*There were no transfers between the Level 1, Level 2 and Level 3 during the year.

* There is no change in the valuation technique during the year.

Valuation techniques used to derive Level 2 fair values

Investment in mutual funds have been fair valued using published statement for net asset value (NAV) by the mutual fund agencies.

35 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.

Notes to Consolidated Financial Statements

This note explains the sources of risk which the entity is exposed to and how the entity manages the risk.

| 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 Company'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 are given below:

| | ₹/Crores | |
|----------------------------|---------------------|---------------------|
| | As at 31.03.2019 | As at 31.03.2018 |
| Debtors billed but not due | 339.03 | 913.47 |
| 0-90 days past due | 144.80 | 162.66 |
| 91-180 days past due | 31.36 | 24.25 |
| 180-365 days past due | 19.18 | 29.78 |
| 1-2 years past due | 20.73 | 46.65 |
| More than 2 years past due | 231.97 | 292.83 |
| | 787.07 | 1,469.64 |

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 31.03.2019 | As at 31.03.2018 |
| Balance at the beginning | 180.01 | 205.85 |
| Provided during the year | 60.87 | 41.88 |
| Reversal during the year | - | (0.11) |
| Amounts written off | (23.25) | (60.14) |
| Discontinued operations | - | (7.47) |
| Balance at the end | 217.63 | 180.01 |

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 31.03.2019.

| | ₹/Crores | | | | |
|------------------------------------|---------------------------|-------------------------|---------------------------|--------------------------|--------------|
| Particulars | Carrying Value | On demand | Less than 1 year | 1 to 2 Years | 2 to 5 Years |
| Non-derivatives | | | | | |
| Borrowings | | | | | |
| -From banks | 583.50 (579.66) | - | 583.50 (520.90) | - (58.76) | - |
| -From others | 295.22 (459.10) | - | 196.04 (349.04) | 99.18 (110.06) | - |
| -Finance lease obligation | 0.37 (2.17) | - | 0.37 (1.82) | - (0.35) | - |
| -Cash credit | 19.71 (63.72) | 19.71 (63.72) | - | - | - |
| -Commercial paper | - (147.41) | - | - (147.41) | - | - |
| Trade payables | 679.95 (839.06) | - | 679.95 (839.06) | - | - |
| Other financial liabilities | | | | | |
| -Deposits | 5.66 (7.59) | - | 5.66 (7.59) | - | - |
| -Interest accrued but not due | 6.28 (4.92) | - | 6.28 (4.92) | - | - |
| -Capital creditors | 0.23 (0.44) | - | 0.23 (0.44) | - | - |
| -Employee benefit payable | 20.97 (23.27) | - | 20.97 (23.27) | - | - |

Notes to Consolidated Financial Statements

₹/Crores

| Particulars | Carrying Value | On demand | Less than 1 year | 1 to 2 Years | 2 to 5 Years |
|---|-----------------|--------------|------------------|--------------|--------------|
| -Unpaid dividends | 0.12 | 0.12 | - | - | - |
| | (0.62) | (0.62) | - | - | - |
| -Others | - | - | - | - | - |
| | (10.00) | (10.00) | - | - | - |
| Total non-derivative liabilities | 1,612.01 | 19.83 | 1,493.00 | 99.18 | - |
| | (2,137.97) | (74.34) | (1,894.46) | (169.17) | - |

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 31.03.2019 the Group has ₹ 164.21 crores (31.03.2018- ₹ 248.81 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 31.03.2019 | As at 31.03.2018 |
|--------------------------|------------------|------------------|
| Variable rate borrowings | 164.21 | 248.81 |
| Fixed rate borrowings | 734.58 | 1,003.26 |
| Total borrowings | 898.79 | 1,252.07 |

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

| | As at 31.03.2019 | | | As at 31.03.2018 | | |
|--|--------------------------------|---------|------------------|--------------------------------|---------|------------------|
| | Weighted average interest rate | Balance | % of total loans | Weighted average interest rate | Balance | % of total loans |
| Bank loans, Cash credits | 10.32% | 164.21 | 18.27% | 10.41% | 248.81 | 19.87% |
| Net exposure to cash flow interest rate risk | | 164.21 | | | 248.81 | |

(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 31.03.2019 | Year ended 31.03.2018 | Year ended 31.03.2019 | Year ended 31.03.2018 |
| Interest rates-increase by 10 basis points | (0.13) | (0.22) | (0.13) | (0.22) |
| Interest rates-decrease by 10 basis points | 0.13 | 0.22 | 0.13 | 0.22 |

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 | 28.82 | - | - | - | 0.62 | 2.67 | - | - |
| | (38.86) | - | - | - | (1.08) | (1.29) | - | - |
| Cash and cash equivalents | 7.58 | - | - | - | 1.37 | 59.84 | - | - |
| | (6.02) | - | - | - | (4.16) | (41.44) | - | (0.30) |
| Net exposure to foreign currency risk (assets) | 36.41 | - | - | - | 1.99 | 62.51 | - | - |
| | (44.88) | - | - | - | (5.24) | (42.74) | - | (0.30) |
| Financial Liabilities | | | | | | | | |
| Trade Payables | 63.79 | 0.03 | 0.01 | 0.01 | - | - | 0.03 | - |
| | (54.61) | (0.05) | (0.01) | (0.02) | (0.06) | (0.53) | (0.00) | (0.78) |
| Derivative liabilities | | | | | | | | |
| Foreign exchange forward contracts | (32.07) | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - |
| Net exposure to foreign currency risk (liabilities) | 31.72 | 0.03 | 0.01 | 0.01 | - | - | 0.03 | - |
| | (54.61) | (0.05) | (0.01) | (0.02) | (0.06) | (0.53) | - | (0.78) |

Note: Previous year figures are given in brackets.

(b) Sensitivity

The Group's foreign currency exposure as at the reporting date is insignificant, hence, any change in underlying rates of foreign currency are not expected to materially impact the financial statements.

36 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 31.03.2019 and 31.03.2018 were as follows:

| | ₹/Crores | |
|----------------------|------------------|------------------|
| | As at 31.03.2019 | As at 31.03.2018 |
| Total Debt | 898.79 | 1,252.07 |
| Equity | 104.15 | 235.34 |
| Capital and net debt | 1,002.94 | 1,487.41 |
| Gearing ratio | 89.62% | 84.18% |

The Group is not subject to any externally imposed capital requirements for the year ended 31.03.2019 and 31.03.2018.

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 :

- Hardware Products & Solution business comprise of sale of IT products and solutions to enterprise and government customers.
- The Services business provides IT infrastructure managed services, multi vendor technical support, break-fix services, cloud services, enterprise application services, software development & support services, office automation maintenance services, managed print services and telecom & consumer electronics support services.
- 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.
- 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 31.03.2019

| | | | | | | ₹/Crores |
|------|--|---------------------------------|-----------|--------------|----------|---------------------------|
| (b) | Primary segments | Hardware products and solutions | Services | Distribution | Learning | Inter-segment elimination |
| (i) | Revenue | | | | | |
| | External revenue | 134.51 | 539.78 | 3707.53 | 10.45 | 4392.27 |
| | | (174.89) | (861.33) | (3003.34) | (3.13) | (4042.69) |
| | Inter-segment revenue | | 0.26 | 14.68 | | (14.94) |
| | | (7.33) | (13.74) | (12.96) | | (-34.03) |
| | Total gross revenue | 134.51 | 540.04 | 3722.21 | 10.45 | 4392.27 |
| | | (182.22) | (875.07) | (3016.30) | (3.13) | (4042.69) |
| (ii) | Results | (73.02) | 32.97 | 13.45 | 10.62 | (15.98) |
| | | (-48.58) | (-52.18) | (13.50) | (-14.29) | (-101.55) |
| | Other un-allocable expenditure net off un-allocable (income) | | | | | (3.89) |
| | | | | | | (-6.90) |
| | Operating profit | | | | | (12.09) |
| | | | | | | (-94.65) |
| | Less: Finance charges | | | | | 124.31 |
| | | | | | | (170.89) |
| | Profit/(loss) before exceptional and extraordinary items and tax | | | | | (136.40) |
| | | | | | | (-265.54) |
| | Exceptional items | - | 9.59 | - | - | 9.59 |
| | | - | (-411.88) | - | (-31.42) | (-443.30) |
| | Profit/(loss) before tax | | | | | (126.81) |
| | | | | | | (-708.84) |
| | Less: Tax expense | | | | | (8.39) |
| | | | | | | (-104.92) |
| | Profit after tax | | | | | (135.20) |
| | | | | | | (-813.76) |

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 | | | | | | |
| | 31.03.2019 | 581.65 | 236.91 | 694.70 | 3.05 | | 1,516.31 |
| | 31.03.2018 | (913.06) | (347.38) | (1050.68) | (11.33) | | (2322.45) |
| | Unallocated corporate assets | | | | | | |
| | 31.03.2019 | | | | | | 481.04 |
| | 31.03.2018 | | | | | | (557.29) |
| | Total assets as at | | | | | | |
| | 31.03.2019 | | | | | | 1997.35 |
| | 31.03.2018 | | | | | | (2879.74) |
| (iv) | Segment liabilities as at | | | | | | |
| | 31.03.2019 | 383.02 | 79.58 | 503.34 | 6.15 | | 972.09 |
| | 31.03.2018 | (505.55) | (193.95) | (647.89) | (10.03) | | (1357.42) |
| | Unallocated corporate liabilities as at | | | | | | |
| | 31.03.2019 | | | | | | 921.11 |
| | 31.03.2018 | | | | | | (1286.98) |
| | Total liabilities as at | | | | | | |
| | 31.03.2019 | | | | | | 1,893.20 |
| | 31.03.2018 | | | | | | (2644.40) |
| (v) | Capital expenditure (allocable) | | 11.80 | 0.33 | | | 12.14 |
| | | (0.00) | (20.87) | (1.08) | | | (21.95) |
| | Capital expenditure (unallocable) | | | | | | 0.06 |
| | | | | | | | (13.44) |
| (vi) | Depreciation | 4.62 | 9.45 | 0.65 | 0.10 | | 14.82 |
| | | (8.01) | (15.40) | (0.76) | (7.82) | | (31.99) |
| | Depreciation (unallocable) | | | | | | 7.12 |
| | | | | | | | (3.05) |
| (vii) | Other non cash expenses (allocable) | 60.05 | 411.28 | 5.22 | 31.43 | | 507.97 |
| | | (56.14) | (420.35) | (1.77) | (35.78) | | (514.05) |

Note: Previous year figures are given in brackets.

Segment disclosure of presented above pertains to continuing and discontinued operations. Refer Note 46 for 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 31.03.2019 | Year ended 31.03.2018 |
| India | | 3,809.18 | 3,089.44 |
| Other countries | | 530.86 | 475.19 |
| Total | | 4,340.04 | 3,564.63 |

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:

| | ₹/Crores | |
|-----------------------------------|---------------------|---------------------|
| | As at 31.03.2019 | As at 31.03.2018 |
| India | 342.78 | 333.46 |
| Other countries | 67.74 | 64.63 |
| Total non - current assets | 410.52 | 398.09 |

38 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:

The Analysis of deferred tax assets and liabilities as follows:

| | ₹/Crores | | |
|---|---------------------|--------------------------------|---------------------|
| | As at 31.03.2018 | Movement during the year | As at 31.03.2019 |
| Deferred tax assets (net) | | | |
| a) Deferred tax assets arising out of | | | |
| Unrealised gain on indexation of land | 5.72 | - | 5.72 |
| 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 | - | 74.46 |
| b) Deferred tax liability due to | | | |
| 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 | 0.98 | - | 0.98 |
| Unrealised gain on fair valuation of investment in mutual funds | 0.19 | - | 0.19 |
| Total (b) | 9.44 | - | 9.44 |
| Net deferred tax assets (a-b) | 65.02 | - | 65.02 |

Notes to Consolidated Financial Statements

₹/Crores

| | As at 31.03.2018 | Movement during the year | Effect of foreign currency translation | As at 31.03.2019 |
|---|---------------------|--------------------------------|---|---------------------|
| Deferred tax liabilities (net) | | | | |
| a) Deferred tax liability due to | | | | |
| Undistributed earnings of the subsidiary | - | 2.93 | 0.00 | 2.93 |
| Difference between WDV of fixed assets as per books and under tax law | 2.51 | (0.08) | 0.08 | 2.51 |
| Net deferred tax liabilities | 2.51 | 2.85 | 0.08 | 5.44 |

(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 31.03.2019 | Year ended 31.03.2018 |
|---|--------------------------|--------------------------|
| Income tax expense | | |
| Current tax on profits for the year" | 5.36 | 1.95 |
| Total current tax expense | 5.36 | 1.95 |
| Deferred tax | | |
| Decrease in MAT Credit | - | 25.57 |
| Decrease/(increase) in deferred tax assets | - | (22.44) |
| Increase/(decrease) in deferred tax liabilities | 2.85 | - |
| Total deferred tax expense/(benefit) | 2.85 | 3.13 |
| Income tax expense | 8.21 | 5.08 |

Notes to Consolidated Financial Statements

(ii) **Reconciliation of tax expense and the accounting profit multiplied by India's tax rate:**

| | ₹/Crores | |
|---|----------------|----------------|
| | 31.03.2019 | 31.03.2018 |
| Profit before income tax expense after other comprehensive income | (139.45) | (203.51) |
| Tax at the Indian tax rate of 31.20% (FY1718 – 30.90%) | (43.51) | (62.88) |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | |
| Goodwill impairment | - | 9.71 |
| Expenditure related to exempt income | 0.22 | 0.37 |
| Dividend income | (0.51) | (0.82) |
| Other items | (2.93) | (0.29) |
| Tax rate difference | (4.94) | (5.11) |
| Tax losses for which deferred tax assets was not recognised | 59.88 | 37.84 |
| Adjustments for current tax of prior periods | - | 0.70 |
| Decrease (increase) in MAT credit | - | 25.57 |
| Income tax expense | 8.21 | 5.08 |
| Unused tax losses for which no deferred tax assets has been recognised | 890.21 | 673.57 |
| Potential tax benefit @ 31.20% (FY 1718- 30.90%) | 277.75 | 208.13 |

The unused tax losses is not likely to generate taxable income in foreseeable future. The losses can be carried forward as per details below:

| | ₹/Crores | |
|--------------|---------------|---------------|
| | 31.03.2019 | 31.03.2018 |
| 31.03.2018 | - | 1.51 |
| 31.03.2019 | - | 9.81 |
| 31.03.2021 | 5.94 | 5.94 |
| 31.03.2022 | 119.07 | 119.07 |
| 31.03.2023 | 126.38 | 126.38 |
| 31.03.2024 | 129.47 | 129.47 |
| 31.03.2025 | 105.62 | 105.62 |
| 31.03.2026 | 80.74 | 80.74 |
| 31.03.2027 | 214.88 | 0.00 |
| No limit | 108.11 | 95.03 |
| Total | 890.21 | 673.57 |

Notes to Consolidated Financial Statements

39 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.
- (ii) The gross investment in the assets given on finance leases as at 31.03.2019 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 | | | |
| 31.03.2019 | 7.26 | 1.40 | 5.86 |
| 31.03.2018 | (23.03) | (2.89) | (20.14) |
| Later than one year and not later than five years | | | |
| 31.03.2019 | - | - | - |
| 31.03.2018 | (1.84) | (0.07) | (1.77) |
| Total | | | |
| 31.03.2019 | 7.26 | 1.40 | 5.86 |
| 31.03.2018 | (24.87) | (2.96) | (21.91) |

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 31.03.2019 and its present value as at that date are as follows:

| | ₹/Crores | | | | | |
|--|-------------------------------|--|--|--------------------------------|---|---|
| | 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 | | | | | | |
| 31.03.2019 | 0.38 | 0.01 | 0.37 | - | - | - |
| 31.03.2018 | (1.62) | (0.15) | (1.47) | (0.96) | (0.09) | (0.87) |
| Later than one year and not later than five years | | | | | | |
| 31.03.2019 | - | - | - | - | - | - |
| 31.03.2018 | (0.36) | (0.01) | (0.35) | (0.00) | (0.00) | (0.00) |
| Total | | | | | | |
| 31.03.2019 | 0.38 | 0.01 | 0.37 | - | - | - |
| 31.03.2018 | (1.98) | (0.16) | (1.82) | (0.96) | (0.09) | (0.87) |

Note: Previous year figures are given in brackets.

Notes to Consolidated Financial Statements

c) Sale and Leaseback
As Lessee:
₹/Crores

| | Total minimum lease payable | Interest included in minimum lease payable | Present value of minimum lease payable |
|--|-----------------------------|--|--|
| Not later than one year | | | |
| 31.03.2019 | - | - | - |
| 31.03.2018 | (0.36) | (0.01) | (0.35) |
| Later than one year and not later than five years | | | |
| 31.03.2019 | - | - | - |
| 31.03.2018 | - | - | 0.00 |
| Total | | | |
| 31.03.2019 | - | - | - |
| 31.03.2018 | (0.36) | (0.01) | (0.35) |

Note: Previous year figures are given in brackets.

d) Cancelable Operating Leases
As Lessee:

- The Group has taken various residential/commercial premises under cancelable operating leases. These leases are for a period of eleven months to three years and are normally renewable on expiry.
- The rental expense in respect of operating leases is ₹ 21.40 crores (FY1718 - ₹ 38.27 crores) which is disclosed as Rent expense under 'Other expenses'.

The rental expense in respect of operating leases disclosed above includes ₹ 0.87 crores (FY1718 - ₹ 20.75 crores) pertains to discontinued operations.

As Lessor:
₹/Crores

| Particulars | As at | Gross Block | Accumulated Depreciation | Net Block | Depreciation Expense |
|----------------------------|-------------------|--------------|--------------------------|-------------|----------------------|
| Freehold land | 31.03.2019 | 1.01 | - | 1.01 | - |
| | 31.03.2018 | (1.01) | - | (1.01) | - |
| Building | 31.03.2019 | 2.30 | 0.17 | 2.13 | 0.04 |
| | 31.03.2018 | (2.30) | (0.13) | (2.17) | (0.05) |
| Plant and machinery | 31.03.2019 | 11.00 | 10.51 | 0.49 | 2.80 |
| | 31.03.2018 | (17.24) | (13.49) | (3.75) | (3.75) |
| | 31.03.2019 | 14.31 | 10.68 | 3.63 | 2.84 |
| TOTAL | 31.03.2018 | (20.55) | (13.62) | (6.93) | (3.80) |

Note: Previous year figures are given in brackets.

Notes to Consolidated Financial Statements

d) Non-Cancelable Operating Leases

As Lessee:

The Group has taken commercial premises on non-cancelable operating leases the future minimum lease payments in respect of which are:

| | ₹/Crores | |
|---|---------------------|---------------------|
| | As at 31.03.2019 | As at 31.03.2018 |
| Not later than one year | 3.97 | 3.97 |
| Later than one year and not later than five years | 6.34 | 6.34 |
| Total | 10.31 | 10.31 |

40 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 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.

| | ₹/Crores | |
|---|--------------------------|--------------------------|
| Particulars | Year ended 31.03.2019 | Year ended 31.03.2018 |
| Loss after tax from continuing operations attributable to equity shareholders of the Company (₹/Crores) | (147.66) | (208.59) |
| Loss after tax from discontinued operations (₹/Crores) | 12.46 | (605.17) |
| Loss after tax from continuing and discontinued operations (₹/Crores) | (135.20) | (813.77) |
| Weighted average number of shares considered as outstanding in computation of Basic EPS | 329,209,928 | 256,143,777 |
| Weighted average number of shares outstanding in computation of Diluted EPS | 329,209,928 | 256,143,777 |
| Basic and diluted (of ₹ 2/- each) (Rs. Per share) | | |
| From continuing operations | (4.49) | (8.14) |
| From discontinued operations | 0.38 | (23.63) |
| From continuing and discontinued operations | (4.11) | (31.77) |

41 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 31.03.2019 | Year ended 31.03.2018 |
| Employers contribution to superannuation fund* | 0.30 | 0.52 |
| Employers contribution to national pension scheme* | 0.16 | 0.20 |
| Employers contribution to employee state insurance* | 0.36 | 2.47 |
| Employers contribution to employee's pension scheme 1995* | 1.73 | 5.21 |

* 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 31.03.2019 | Year ended 31.03.2018 | Year ended 31.03.2019 | Year ended 31.03.2018 |
| Discount rate (per annum) | 7.30% | 7.60% | 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 | 8.65% | 8.55% |
| Expected short fall in interest earnings | Not Applicable | Not Applicable | 0.05% | 0.05% |
| Expected average remaining working lives of employees (years) | 16.15 | 16.84 | 16.15 | 16.84 |

As of 31.03.2019, every 0.5 percentage point increase / decrease in discount rate will affect our gratuity benefit obligation by approximately by ₹ 0.07 crores.

As of 31.03.2019, 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.

Notes to Consolidated Financial Statements

- 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.
- 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

| | 2019 | | 2018 | |
|---|--------------|----------------|--------------|----------------|
| | 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 | 12.75 | 157.89 | 15.76 | 192.45 |
| Current service cost | 0.66 | 2.44 | 1.17 | 4.19 |
| Interest cost | 0.39 | 10.37 | 0.86 | 12.64 |
| Total amount recognised in profit or loss | 1.06 | 12.82 | 2.03 | 16.83 |
| Actuarial (gain)/loss from change in demographic assumptions | (0.01) | - | (0.08) | - |
| Actuarial (gain)/loss from change in financial assumptions | 0.07 | 0.00 | (0.04) | (0.01) |
| Experience (Gain)/loss | 1.36 | (0.01) | 0.42 | 3.79 |
| Total amount recognised in other comprehensive income | 1.42 | (0.01) | 0.30 | 3.78 |
| Benefits (paid) | (1.92) | (32.23) | (5.34) | (69.26) |
| Settlements/transfer In | - | 3.06 | - | 2.76 |
| Contribution by plan participants | - | 7.27 | - | 11.33 |
| Present value of obligation at the end of the year | 13.31 | 148.80 | 12.75 | 157.89 |

| | 2019 | 2018 |
|---|----------------|----------------|
| | 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 | 174.72 | 208.64 |
| Expected Return on Plan Assets | 14.45 | 17.06 |
| Employer Contribution | 2.44 | 4.19 |
| Settlements/Transfer In | 3.06 | 2.76 |
| Employee Contribution | 7.27 | 11.33 |
| Benefit Paid | (32.23) | (69.26) |
| Fair value of plan assets at the end of the year | 169.71 | 174.72 |

Notes to Consolidated Financial Statements

| Cost recognised for the year: | ₹/Crores | | | |
|--|----------|----------------|----------|----------------|
| | 2019 | | 2018 | |
| | Gratuity | Provident Fund | Gratuity | Provident Fund |
| Current service cost | 0.66 | - | 1.17 | - |
| Company contribution to Provident Fund | - | 2.44 | - | 4.19 |
| Past service cost | - | - | - | - |
| Interest cost | 0.39 | - | 0.86 | - |
| Actuarial (gain)/loss | 1.42 | - | 0.30 | - |
| Interest guarantee liability | - | - | - | - |
| Shortfall in fund | - | - | - | - |
| Net cost recognised for the year* | 2.47 | 2.44 | 2.33 | 4.19 |

* 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 ₹ 1.66 crores (FY1718 - ₹ 3.86 crores) and the remaining relates to other related companies as mentioned above.

The major categories of plan assets are as follows:

| | ₹/Crores | |
|-------------------------------|------------------|------------------|
| | As at 31.03.2019 | As at 31.03.2018 |
| | Unquoted in % | Unquoted in % |
| Central Government Securities | 40.00 | 40.99 |
| State Government Securities | 17.31 | 15.89 |
| Public Sector Bonds | 31.97 | 33.84 |
| Special Deposit Scheme | 9.55 | 9.20 |
| Equity | 0.19 | 0.00 |
| Bank Balance | 0.98 | 0.08 |
| 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 | |
| | 2019 | 2018 |
| Present value of the obligation as at the end of the year | 13.31 | 12.75 |
| Fair value of plan assets at the end of the year | - | - |
| Assets/(Liabilities) recognised in the Balance Sheet | (13.31) | (12.75) |
| Experience adjustment in plan liabilities | - | - |
| Experience adjustment in plan assets | - | - |

Notes to Consolidated Financial Statements

₹/Crores

| | Provident fund | |
|--|----------------|----------|
| | 2019 | 2018 |
| Present value of the obligation as at the end of the year | (148.80) | (157.89) |
| Fair value of plan assets at the end of the year | 169.71 | 174.72 |
| Assets/(Liabilities) recognised in the Balance Sheet | ₹** | ₹** |
| Expected Contribution to the provident fund in the next year | 2.80 | 4.53 |

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

42 Contracts-in-progress

₹/Crores

| | As at 31.03.2019 | As at 31.03.2018 |
|---|---------------------|---------------------|
| Revenue from composite contracts recognised for the year | 109.69 | 129.99 |
| Aggregate amount of contract costs incurred and recognised profits (less recognised losses) for all contracts in progress upto the year ended | 5,093.33 | 4,983.64 |
| The amount of advances received | 34.96 | 31.64 |
| Gross amount due from customers for contracts-in-progress | 22.53 | 68.20 |
| Gross amount due to customers for contracts-in-progress | 128.58 | 167.60 |

43 Remuneration to Auditor*:

₹/Crores

| | Year ended 31.03.2019 | Year ended 31.03.2018 |
|-------------------------------------|--------------------------|--------------------------|
| Statutory audit | 1.60 | 1.70 |
| Other audit services/certifications | 0.23 | 0.61 |
| Out-of-pocket expenses | 0.18 | 0.24 |
| Total | 2.01 | 2.55 |

* Excluding service tax.

44 Employee Stock Option Plan (ESOP):

- (a) The Company has established Employee Stock Option Scheme 2000 and Employee Stock Based Compensation Plan 2005, for which a total grant of 31,90,200 and 33,35,487 options have been set aside respectively for the employees of the Company and its subsidiaries. These options vest on a graded basis 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.

The Board of Directors/Committee approves the grant of options, including the grant of options that lapse out of each grant. Each option of ₹ 10/- confers on the employee a right to five equity shares of ₹ 2/- each.

Exercise price is market price as specified in the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 1999 issued by the Securities and Exchange Board of India ("SEBI").

Notes to Consolidated Financial Statements

Details of Grants made under Employee Stock Based Compensation Plan 2005 as on 31.03.2019

| Date of Grant | Exercise price of the option for five equity shares of ₹ 2/- each | Options outstanding at the beginning of the year | Options granted during the year | Options forfeited during the year | Options exercised during the year | Options expired during the year | Options outstanding at the end of the year | Options exercisable at the end of the year |
|---------------|---|--|---------------------------------|-----------------------------------|-----------------------------------|---------------------------------|--|--|
| 23-Jan-08 | | - | - | - | - | - | - | - |
| | 898.25 | (4,065) | - | - | - | (4,065) | - | - |
| 30-Jan-13 | | - | - | - | - | - | - | - |
| | 186.00 | (20,000) | - | - | (20,000) | - | - | - |
| Total | | - | - | - | - | - | - | - |
| | | (24,065) | - | - | (20,000) | (4,065) | - | - |

Option outstanding at the beginning and at the end of the year Nil (2018-Nil) under Employee Stock Option Scheme 2000.

Note: Previous year figures are given in brackets.

(b) Fair Value of options

Assumptions

The fair value of each stock option granted under Employee Stock Option Scheme 2000 and Employee Stock Based Compensation Plan 2005 as on the date of grant has been computed using Black-Scholes Option Pricing Formula and the model inputs are given as under:

| | Employee Stock Based Compensation Plan 2005 |
|--|---|
| Volatility | 31% to 65% |
| Risk free rate | 6.25% to 6.82% |
| Exercise Price | 178.00 to 1,348.25 |
| Time to Maturity (years) | 2.50 to 7.00 |
| Dividend Yield | 0% to 37% |
| Life of options | 10 Years |
| Fair Value of options as at the grant date | ₹ 0.00 to ₹ 268.16 |

Notes:

1. Volatility: Based on historical volatility in the share price movement of the Company.
2. Risk Free Rate: Being the interest rate applicable for maturity equal to the expected life of options based on yield curve for Government Securities.
3. Time to maturity: Vesting period and volatility of the underlying equity shares have been considered for estimation.
4. Dividend yield: Based on historical dividend payouts.

45 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. Therefore the board has approved the sale of two Company owned properties located in Noida and one property located in Pune, proceeds of which will be utilized in entirety to repay debt. The net value of ₹ 14.36 crores of these properties as of 31.03.2019 has been classified and disclosed as assets held for sale.

Pursuant to the Board's approval, the Company entered into agreement to sell the property situated at G-8,9,10, Sector 3, Noida on 21.05.2019 and the property situated at B-13,14 Sector 3, Noida on 28.05.2019 subject to approval from Noida authority. As of 31.03.2019, the combined carrying value of two properties is ₹ 0.88 crores and the sale value of the properties is ₹ 13.68 crores.

Notes to Consolidated Financial Statements

46 Discontinued Operations

Pursuant to the approval by the Board of Directors of the 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 shareholding of QDigi Services Limited (formerly known as HCL Computing Products Limited) has been divested to Qess Corp Limited on 11.04.2018.

Pursuant to the approval by the Board of Directors of the Company in its meeting held on 09.02.2018, the Company has 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 Karvy Innotech Limited (formerly known as HCL Services Limited). The Company signed a share purchase agreement on 31.05.2018 and the shareholding was divested on 15.06.2018.

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)

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 LLC) (Abu Dhabi) and step-down subsidiary Gibraltar Technologies WLL (formerly known as HCL Infosystems Qatar WLL) (Qatar) has been 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 ₹ 6.5 crores).

Pursuant to the above developments during the year, the results for the year ended 31.03.2019 and 31.03.2018 attributable to Karvy Innotech Limited (formerly known as HCL Services Limited), Gibraltar Technologies LLC (formerly known as HCL Infosystems LLC) (Dubai), Gibraltar Technologies LLC (formerly known as HCL Infosystems MEA LLC) (Abu Dhabi) and Gibraltar Technologies WLL (formerly known as HCL Infosystems Qatar WLL) (Qatar) and assets and liabilities as at 31.03.2018 attributable to Karvy Innotech Limited (formerly known as HCL Services Limited), are presented as discontinued operations.

The financial performance of the discontinued operations for the year is presented below:

| | Year ended 31.03.2019 ₹/Crores | Year ended 31.03.2018 ₹/Crores |
|--|-----------------------------------|-----------------------------------|
| Revenue from Operations | 52.23 | 478.06 |
| Other Income | 0.62 | 4.10 |
| Total Income | 52.85 | 482.16 |
| Purchases of stock-in-trade | 0.12 | - |
| Other direct expense | 19.77 | 278.20 |
| Employee benefit expense | 22.20 | 162.53 |
| Finance costs | 1.27 | 29.76 |
| Depreciation and amortisation expense | 0.31 | 7.57 |
| Other expenses | 6.14 | 97.55 |
| Total expenses | 49.81 | 575.61 |
| Loss before exceptional items and tax | 3.04 | (93.45) |
| Exceptional items | - | (411.88) |
| Profit/(Loss) before tax | 3.04 | (505.33) |
| Income tax expense | | |
| Current tax | 0.18 | - |
| Deferred tax | - | 99.84 |
| | 0.18 | 99.84 |
| Profit / (Loss) for the year | 2.86 | (605.17) |

Notes to Consolidated Financial Statements

The following assets and liabilities have been reclassified as held for sale in relation to the discontinued operations as at 31.03.2018:

| | As at 31.03.2019 ₹/Crores | As at 31.03.2018 ₹/Crores |
|----------------------------------|------------------------------|------------------------------|
| ASSETS | | |
| (1) Non-current assets | | |
| Property, Plant and Equipment | - | 4.93 |
| Capital work-in-progress | - | 0.18 |
| Goodwill | - | 5.97 |
| Other Intangible assets | - | 0.25 |
| Other Financial assets | - | 1.52 |
| Deferred tax assets (net) | - | 1.79 |
| Advance Income Tax Asset (net) | - | 72.77 |
| Other non-current assets | - | 2.87 |
| | | 90.28 |
| (2) Current assets | | |
| Inventories | - | 14.67 |
| Financial Assets | | |
| (i) Trade receivables | - | 73.41 |
| (ii) Cash and cash equivalents | - | 6.14 |
| (v) Loans | - | 0.41 |
| (vi) Other Financial assets | - | 27.23 |
| Other Current Assets | - | 7.00 |
| | | 128.86 |
| Total Assets | - | 219.14 |
| LIABILITIES | | |
| Non-current liabilities | | |
| Provisions | - | 3.40 |
| Other non-current liabilities | - | 0.24 |
| | | 3.64 |
| Current liabilities | | |
| Financial Liabilities | | |
| (i) Trade payables | - | 68.19 |
| (ii) Other financial liabilities | - | 7.93 |
| Other current liabilities | - | 9.15 |
| Provisions | - | 2.42 |
| | | 87.69 |
| Total liabilities | - | 91.33 |

Net cash flow attributable to the operating, investing and financing activities of discontinued operations is presented below:

| | ₹/Crores | |
|----------------------|--------------------------|--------------------------|
| | Year ended 31.03.2019 | Year ended 31.03.2018 |
| Operating activities | 0.92 | (31.63) |
| Investing activities | (0.02) | 273.61 |
| Financing activities | - | (244.97) |

Notes to Consolidated Financial Statements

47 Additional information to consolidated accounts as at 31.03.2019 (Pursuant to Schedule III of the Companies Act 2013):

Continuing operations:

₹/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 | 267.72 | 278.82 | 139.73 | (206.32) | (24.68) | (0.99) | 144.32 | (207.31) |
| Subsidiaries: Indian | | | | | | | | |
| Digilife Distribution and Marketing Services limited | 0.31 | 0.32 | 0.89 | (1.32) | 0.00 | 0.00 | 0.92 | (1.32) |
| HCL Learning Limited | (55.05) | (57.33) | 8.93 | (13.19) | (0.50) | (0.02) | 9.20 | (13.21) |
| HCL Infotech Limited | (389.09) | (405.22) | 79.56 | (117.47) | (10.22) | (0.41) | 82.06 | (117.88) |
| Pimpri Chinchwad eServices Limited | (0.03) | (0.04) | 0.00 | (0.00) | 0.00 | 0.00 | 0.00 | (0.00) |
| Subsidiaries: Foreign | | | | | | | | |
| Nuture Technologies FZE (formerly known as HCL Infosystems MEA FZE), Dubai | (18.20) | (18.95) | 5.30 | (7.83) | (10.56) | (0.42) | 5.75 | (8.26) |
| HCL Insys Pte Limited, Singapore | 152.83 | 159.17 | (19.94) | 29.45 | 126.05 | 5.06 | (24.02) | 34.50 |
| HCL Investment Pte Limited, Singapore | 11.33 | 11.80 | (0.05) | 0.08 | (19.94) | 0.80 | (0.61) | 0.88 |
| Intra-Group Eliminations | 130.18 | 135.58 | (114.42) | 168.95 | 0.00 | 0.00 | (117.62) | 168.95 |
| Total | 100.00 | 104.15 | 100.00 | (147.66) | 100.00 | 4.01 | 100.00 | (143.65) |

Additional information to consolidated accounts as at 31.03.2018 (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 | 206.57 | 486.15 | 77.61 | (631.57) | 4.04 | 0.17 | 77.99 | (631.40) |
| Subsidiaries: Indian | | | | | | | | |
| Digilife Distribution and Marketing Services limited | 0.70 | 1.64 | 0.22 | (1.79) | 0.00 | 0.00 | 0.22 | (1.79) |



HCL INFOSYSTEMS

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) | (6.17) | (14.52) | 0.01 | (0.10) | 0.00 | 0.00 | 0.01 | (0.10) |
| Karvy Innotech Limited (formerly known as HCL Services Limited) | 1.20 | 2.82 | 6.22 | (50.65) | (11.40) | (0.48) | 6.32 | (51.13) |
| HCL Learning Limited | (18.76) | (44.15) | 3.31 | (26.92) | 0.24 | 0.01 | 3.32 | (26.91) |
| HCL Infotech Limited | (122.09) | (287.34) | 13.59 | (110.62) | (2.14) | (0.09) | 13.68 | (110.71) |
| Pimpri Chinchwad eServices Limited | (0.01) | (0.02) | 0.00 | (0.01) | 0.00 | 0.00 | 0.00 | (0.01) |
| Subsidiaries: Foreign | | | | | | | | |
| HCL Touch Inc., USA | (0.03) | (0.08) | (0.17) | 1.37 | 0.24 | 0.01 | (0.17) | 1.38 |
| Nurture Technologies FZE (formerly known as HCL Infosystems MEA FZE) | (7.01) | (16.51) | 1.48 | (12.03) | (1.90) | (0.08) | 1.50 | (12.11) |
| Gibraltar Technologies LLC (formerly known as HCL Infosystems LLC, Dubai) | (5.62) | (13.23) | 0.22 | (1.81) | (1.43) | (0.06) | 0.23 | (1.87) |
| Gibraltar Technologies LLC (formerly known as HCL Infosystems MEA LLC, Abu Dhabi) | (0.56) | (1.31) | 0.12 | (0.94) | (0.24) | (0.01) | 0.12 | (0.95) |
| Gibraltar Technologies WLL (formerly known as HCL Infosystems Qatar LLC) | 8.38 | 19.73 | (0.56) | 4.53 | 2.14 | 0.09 | (0.57) | 4.62 |
| HCL Insys Pte Limited, Singapore | 52.91 | 124.52 | (2.49) | 20.29 | 118.53 | 4.99 | (3.12) | 25.28 |
| HCL Investment Pte Limited, Singapore | 4.64 | 10.92 | 0.22 | (1.82) | 0.95 | 0.04 | 0.22 | (1.78) |
| Intra-Group Eliminations | (14.14) | (33.28) | 0.21 | (1.69) | (9.03) | (0.38) | 0.26 | (2.07) |
| Total | 100.00 | 235.34 | 100.00 | (813.76) | 100.00 | 4.21 | 100.00 | (809.55) |

48 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

Manish Gupta

Partner

Membership Number - 095037

For and on behalf of the Board of Directors of

HCL Infosystems Limited

Rangarajan Raghavan

Managing Director

DIN - 07932761

Kapil Kapur

Chief Financial Officer

Kaushik Dutta

Director

DIN - 03328890

Sushil Kumar Jain

Company Secretary

Gurugram, May 30, 2019

Noida, May 30, 2019

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 | (₹ Crores) except % of shareholding | | | | |
|--------|--|--------------------|---------------|---------------|-------------------|--------------|-------------------|-------------|----------|-------------------------------------|------------------------|-----------------------|-------------------|--------------------|
| | | | | | | | | | | Profit before Taxation | Provision for Taxation | Profit after Taxation | Proposed Dividend | % of Share holding |
| 1 | Digilife Distribution and Marketing Services Limited | INR | 1.00 | 56.05 | (55.73) | 25.60 | 25.28 | - | 191.91 | (1.32) | - | (1.32) | - | 100 |
| 2 | HCL Learning Limited | INR | 1.00 | 0.08 | (57.41) | 282.23 | 339.56 | - | 10.45 | (13.19) | - | (13.19) | - | 100 |
| 3 | HCL Infotech Limited | INR | 1.00 | 0.22 | (405.44) | 622.36 | 1,027.58 | - | 131.46 | (117.47) | - | (117.47) | - | 100 |
| 4 | Pimpri Chinchwad eServices Limited | INR | 1.00 | 0.05 | (0.09) | 0.01 | 0.04 | - | - | (0.00) | - | (0.00) | - | 85 |
| 5 | Nature Technologies FZE (formerly known as HCL Infosystems MEA FZE), Dubai | AED | 18.43 | 87.55 | (106.51) | 13.15 | 32.11 | - | 22.65 | (7.03) | 0.18 | (7.21) | - | 100 |
| 6 | HCL Insys Pte Limited, Singapore | SGD | 50.60 | 91.33 | 144.90 | 334.78 | 98.55 | 119.53 | 530.24 | 32.21 | 5.29 | 26.92 | - | 100 |
| 7 | HCL Investment Pte Limited, Singapore | USD | 69.38 | 8.41 | 3.38 | 11.96 | 0.16 | - | - | 0.08 | - | 0.08 | - | 100 |

Notes:

1. Qdigi Seives Limited (formerly known as HCL Computing Products Limited) was sold with effect from 11.04.2018.
2. Kavy Innotech Limited (formerly known as HCL Services Limited) was sold with effect from 15.06.2018.
3. HCL Touch Inc., USA was dissolved with effect from 04.04.2018.
4. Gibraltar Technologies LLC (formerly known as HCL Infosystems LLC), Dubai, Gibraltar Technologies LLC (formerly known as HCL Infosystems MEA LLC), Abu Dhabi and Gibraltar Technologies WLL (formerly known as HCL Infosystems Qatar WLL), Qatar was sold with effect from 27.11.2018.

HCL INFOSYSTEMS LTD.

E-4, Sector-11, Noida, U.P., India

Tel: + 91 0120 2520977

www.hclinfosystems.com

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 Third (33rd) Annual General Meeting of the members of HCL Infosystems Limited will be held on Monday, 16th September, 2019 at 10:00 A.M. at Kamani Auditorium, 1, Copernicus Marg, New Delhi – 110001 to transact the following business:

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, 2019, including the audited Balance Sheet as at 31st March, 2019, 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, 2019 including the audited Balance Sheet as at 31st March, 2019, 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. Pawan Kumar Danwar (DIN 06847503), 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. Pawan Kumar Danwar (DIN 06847503) 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 Mr. Kaushik Dutta as an Independent Director 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 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, as amended, Mr. Kaushik Dutta (DIN: 03328890), Independent Director of the Company, who has submitted a declaration that he 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 1st April, 2019 to 31st March, 2024 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. Re-appointment of Ms. Sangeeta Talwar 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, as amended, Ms. Sangeeta Talwar (DIN: 00062478), 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 1st April, 2019 to 31st March, 2024 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".

5. Change in designation of Dr. Nikhil Sinha from Non Independent Director to 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, as amended, the approval of the shareholders be and is hereby accorded for change in designation of Dr. Nikhil Sinha (DIN: 01174807), who has submitted a declaration that he 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 from Non Independent & Non-Executive Director to Independent & Non- Executive Director for five consecutive years with effect from 1st April, 2019 to 31st March, 2024 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".

6. Approval for the revision in Remuneration to be paid to Mr. Rangarajan Raghavan (DIN: 07932761), Managing Director of the Company.

To consider, and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution (s)**:

"RESOLVED THAT pursuant to Section 197, 198, Schedule V of the Companies Act, 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and other applicable provisions, if any, of the Companies Act, 2013 (including any statutory modification or re-enactment thereof for the time being in force) ("the Act") and subject to the approval of the Central Government and other necessary approval(s), consent(s), or permission(s), as may be required, the consent of the Members of the Company be and is hereby accorded to pay the revised remuneration, on the basis of his existing terms and conditions as recommended by Nomination and Remuneration Committee and the Board of Directors and as set out in the said explanatory annexed hereto, to Mr. Rangarajan Raghavan, Managing Director of the Company."

"RESOLVED FURTHER THAT pursuant to Section 197, 198, Schedule V of the Companies Act, 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and other applicable provisions, if any, of the Companies Act, 2013 (including any statutory modification or re-enactment thereof for the time being in force) ("the Act") and subject to the approval of the Central Government and other necessary approval(s), consent(s), or permission(s), as may be required, the remuneration as set out in the explanatory statement be paid as minimum remuneration to Mr. Rangarajan Raghavan notwithstanding that in any financial year of the Company during his tenure as Managing Director, the Company has made no profits or profits are inadequate."

"RESOLVED FURTHER THAT Mr. Kapil Kapur, Chief Financial Officer and Mr. Sushil Kumar Jain, Company Secretary be and are hereby severally authorized to inform all concerned of the aforesaid resolution, and to present/file necessary intimation, application, notice, papers, forms, or any other document/deeds etc. before the Competent Authorities, if required, in such form and manner as may be required or necessary and also to do all acts, deeds, things, and matters as may be required or necessary to give effect to this resolution or as otherwise considered by the Board of Directors to be in the best interest of the Company, as it may deem fit."

7. To Sell/ Transfer/ Dispose off the shares of step down subsidiary, HCL Insys Pte. Ltd, Singapore to M/s PCCW Solutions Limited

To consider and if thought fit, to pass with or without modification(s) 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) and Regulation 24(5) of SEBI (Listing Obligations and disclosure requirements) Regulations, 2015, (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, the consent of the Members be and is hereby accorded to Sell/Transfer/Dispose off the entire investment of HCL Learning Limited (a subsidiary of the Company) in its wholly owned subsidiary HCL Insys Pte. Ltd., Singapore to M/s PCCW Solutions Limited, a leading IT services provider in Hong Kong for a consideration equal to the enterprise value of HCL Insys Pte. Ltd (being SGD 42,000,000 on a debt free/ cash free basis) subject to adjustments based on the cash, debt and working capital positions of HCL Insys Pte. Ltd. on the date of consummation of the proposed transaction."

“RESOLVED FURTHER THAT the Board and the Committee or persons as may be authorized by the Board in this regard is empowered to finalize and execute necessary transaction related documents including but not limited to share purchase agreement, deeds etc. with effect from such date and in such manner as deemed necessary by the Board and to do all such other acts, deeds, matters and things as they may deem necessary and/ or expedient to give effect to the above transaction including without limitation negotiating and finalizing the terms of transfer, executing the necessary agreements, memorandum, indemnity deeds, undertakings, etc. and to settle any questions, difficulties or doubts that may arise in regard to sale as they may in their absolute discretion deem fit.”

“RESOLVED FURTHER THAT the any one of the Directors or Mr. Sushil Kumar Jain, Company Secretary of the Company, be and is hereby authorized to perform and execute all such acts, deeds, matters and things including but not limited to making timely intimation to stock exchange(s), and to execute all other documents required to be filed in the above connection and to settle all such questions, difficulties or doubts whatsoever which may arise and take all such steps and decisions in this regard to give full effect to the aforesaid resolution.”

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

**Date : 6th August, 2019
Place: Noida**

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

Notes:

1. As a responsible corporate citizen, the Company welcomes and supports the 'Green Initiative' taken by the Ministry of Corporate Affairs, enabling the Company to send all communication to the Members through electronic mode. The above initiative will go a long way in conserving paper which is a natural resource as also result in substantial savings on printing and posting of annual reports and other documents of your Company sent to Members.

The Notice of the AGM along with the Annual Report 2018-19 is being sent by electronic mode to those Members whose e-mail addresses are registered with the Company/Depositories, unless any Member has requested for a physical copy of the same. For Members who have not registered their e-mail addresses, physical copies are being sent by the permitted mode.

Members are requested to support this Green Initiative by updating their email addresses with their respective Depository Participants, in case of electronic shareholding or registering their email addresses with the Company's Registrar and Share Transfer Agent, in case of physical shareholding. We hope that Members will join this cause and make the world a cleaner, greener and healthier place to live in.

2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING (AGM) IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING THE PROXY, IN ORDER TO BE EFFECTIVE, MUST BE DEPOSITED AT THE COMPANY'S REGISTERED OFFICE, DULY COMPLETED AND SIGNED, NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

Proxies submitted on behalf of limited companies, societies, etc., must be supported by appropriate resolutions/authority, as applicable. A person can act as proxy on behalf of Members not exceeding fifty (50) and holding in the aggregate not more than 10% of the total share capital of the Company. In case a proxy is proposed to be appointed by a Member holding more than 10% of the total share capital of the Company carrying voting rights, then such proxy shall not act as a proxy for any other person or shareholder.

3. The Register of Members and the Share Transfer Books of the Company shall remain closed from Wednesday, 11th September, 2019 to Monday, 16th September, 2019 (both days inclusive) for the purpose of Annual General Meeting.
4. 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 : rta@alankit.com
Website : www.alankit.com

5. 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.
6. In case of joint holders attending the meeting, the Member whose name appears as the first holder in the order of names as per the Register of Members of the Company will be entitled to vote.
7. 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.
8. Copies of all documents referred to in notice and the statutory registers under of the Companies Act, 2013 are available for inspection at the registered office of the Company between 11:00 A.M. to 1:00 P.M. on all working days i.e Monday to Friday, till the date of meeting and will also be available at the venue of the meeting.
9. 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 up to 3rd Interim dividend for the financial year 2011-12 to the Investor Education and Protection Fund / suspense account of Investor Education and Protection Fund (the Fund) of the Central Government.

After transfer of the 2011-12 3rd Interim dividend, there are no unpaid/unclaimed dividend pending for transfer to IEPF account.

As per the recent SEBI Circular dtd 20.04.2018 - ref: SEBI/HO/MIRSD/DOP1/CIR/P/2018/73, it is mandatory to capture the Bank Mandate (Beneficiary Bank name and Beneficiary account number) on the face of the Warrant / DD.

10. 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 set forth in this Notice.
11. 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 placed at the AGM.
12. 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.
13. 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.

14. Please note that snacks box shall not be distributed at the Annual General Meeting.

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 16th September, 2019.

ITEM NO. 3

Re-appointment of Mr. Kaushik Dutta as an Independent Director of the Company

Mr. Kaushik Dutta was appointed as an Independent of the Company by the members at the 28th AGM of the Company held on 12th November, 2014 for a period of five consecutive years i.e. from 1st April, 2014 upto 31st March, 2019.

As per Section 149(10) of the Act, an Independent Director shall hold office for a term of upto 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 as approved by the 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, Mr. Dutta, being eligible for re-appointment as an Independent Director and offering himself for re-appointment, is proposed to be re-appointed as an Independent Director for second term of five consecutive years i.e. from 1st April, 2019 up to 31st March, 2024.

The Company has received declaration from him stating that he continues to meet 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. He has also given his consent to continue to act as Director of the Company, if so appointed by the members.

In the opinion of the Board, Mr. Dutta 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 his reappointment as an Independent Director of the Company and is independent of the management. Copy of the draft letter for appointment of Mr. Dutta as an Independent Director setting out terms and conditions would be available for inspection without any fee by the members at the Registered Office of the Company during normal business hours (9:00 am to 5:00 pm) on any working day, except Saturday, upto and including the date of AGM of the Company.

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

Mr. Kaushik Dutta holds 4000 shares in the Company.

Accordingly, the Board recommends passing of the Special Resolution in relation to re-appointment of Mr. Dutta as an Independent Director for another term of five consecutive years with effect from 1st April, 2019 to 31st March, 2024, for the approval by the shareholders of the Company.

Except Mr. Kaushik Dutta, being an appointee and his 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. Mr. Dutta is not related to any Director of the Company.

ITEM NO. 4

Re-appointment of Ms. Sangeeta Talwar as an Independent Director of the Company

Ms. Sangeeta Talwar was appointed as an Independent Director of the Company by the members at the 28th AGM of the Company held on 12th November, 2014 for a period of five consecutive years i.e. from 1st April, 2014 upto 31st March, 2019.

As per Section 149(10) of the Act, an Independent Director shall hold office for a term of upto 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 upto 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. Talwar, 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 1st April, 2019 upto 31st March, 2024.

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. Talwar 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. Talwar as an Independent Director setting out terms and conditions would be available for inspection without any fee by the members at the Registered Office of the Company during normal business hours (9:00 am to 5:00 pm) on any working day, except Saturday, upto and including the date of AGM of the Company.

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. Talwar as an Independent Director.

Accordingly, the Board recommends passing of the Special Resolution in relation to re-appointment of Ms. Talwar as an Independent Director for another term of five consecutive years with effect from 1st April, 2019 to 31st March, 2024, for the approval by the shareholders of the Company.

Except Ms. Sangeeta Talwar, 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. 4 of the accompanying Notice of the AGM. Ms. Talwar is not related to any Director of the Company.

ITEM NO. 5

Change in designation of Dr. Nikhil Sinha from Non Independent Director to Independent Director

Dr. Nikhil Sinha was a Non Independent & Non- Executive Director of the Company. He had completed the required cooling period of three years on 31st March' 2019 and was eligible for being designated as an Independent Director of the Company effective from 1st April' 2019.

As per Section 149(10) of the Act, an Independent Director shall hold office for a term of upto five consecutive years on the Board of a Company.

Based on recommendation of Nomination and Remuneration Committee and as approved by the 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, Dr. Sinha, being eligible for appointment as an Independent Director, is proposed to be designated as an Independent Director for a term of five consecutive years from 1st April, 2019 upto 31st March, 2024.

The Company has received declaration from him stating that he 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. He has also given his consent to continue to act as Director of the Company, if so appointed by the members.

In the opinion of the Board, Dr. Sinha 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 his appointment as an Independent Director of the Company and is independent of the management. Copy of the draft letter for appointment of Dr. Sinha as an Independent Director setting out terms and conditions would be available for inspection without any fee by the members at the Registered Office of the Company during normal business hours (9:00 am to 5:00 pm) on any working day, except Saturday, upto and including the date of AGM of the Company.

The Board considers that his continued association would be of immense benefit to the Company as Independent Director.

Accordingly, the Board recommends passing of the Special Resolution in relation to change in designation of Dr. Sinha and appointment as an Independent Director for a term of five consecutive years with effect from 1st April, 2019 to 31st March, 2024, for the approval by the shareholders of the Company.

Except Dr. Nikhil Sinha, being an appointee and his 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. 5 of the accompanying Notice of the AGM. Dr. Sinha is not related to any Director of the Company

ITEM NO. 6

Approval for the revision in Remuneration to be paid to Mr. Rangarajan Raghavan (DIN: 07932761), Managing Director of the Company

The Nomination and Remuneration Committee and Board of Directors in its meeting held on 31st July, 2019 had accorded its approval to revise the remuneration, as detailed hereunder w.e.f. 1st July, 2019 to Mr. Rangarajan Raghavan, Managing Director of the Company, under the applicable provisions of Companies Act, 2013. The Committee/Board had also approved to pay this remuneration as minimum remuneration in case of inadequacy of profits and no profits:

| Particulars | : | From 1 st July, 2018 till 30 th June, 2019 | From 1 st July, 2019 |
|--|---|--|---|
| Basic Salary | : | ₹ 1,60,300/- Per month | ₹ 1,68,800/- Per month |
| House Rent Allowance | : | 50% of Basic Salary | 50% of Basic Salary |
| Flexible Benefit Basket | : | ₹ 43,60,380/- Per annum | ₹ 48,67,296/- Per annum |
| Performance Linked Bonus | : | ₹ 25,00,000/- Per annum | ₹ 30,00,000/- Per annum |
| Contribution to Provident Fund | : | 12% of the Basic Salary, as per the provision of the Employees Provident Fund and Miscellaneous Provision Act, 1952 | 12% of the Basic Salary, as per the provision of the Employees Provident Fund and Miscellaneous Provision Act, 1952 |
| Contribution to Superannuation Fund | : | 15% of the Basic Salary, as per the scheme of the company | 15% of the Basic Salary, as per the scheme of the company |
| Contribution to National Pension Scheme | : | 10% of the Basic Salary, as per the scheme of the company | Nil |
| Gratuity | : | As per the provisions of the Payment of Gratuity Act, 1972 | As per the provisions of the Payment of Gratuity Act, 1972 |
| Medical Insurance | : | As per the scheme of the Company | As per the scheme of the Company |
| Company Car leased scheme | : | Covered for a value of ₹ 75,012/- Per month | Covered for a value of ₹ 75,012/- Per month |
| Long Term Incentive Plan (Enterprise Value Creator) | : | Covered under two LTIP schemes .Following are the details :- | Covered under one LTIP scheme. Following are the details :- |
| | | 1. One time pay-out of ₹ 60,00,000/- paid in November 2018 . | |
| | | 2. Pay-out of ₹ 40,00,000/- in 2 tranches (Tranche 1 pay-out of ₹ 20,00,000 due in July 2020 and Tranche 2 pay-out of ₹ 20,00,000 due in March 2021) | Pay-out of ₹ 40,00,000/- in 2 tranches (Tranche 1 pay-out of ₹ 20,00,000 due in July 2020 and Tranche 2 pay-out of ₹ 20,00,000 due in March 2021) |
| Company driver has been provided | : | Yes | Yes |

(All the above perquisites shall be evaluated as per Income-tax Rules, wherever applicable. In the absence of any such Rule, perquisites shall be evaluated at actual cost.)

MINIMUM REMUNERATION

The above remuneration (including perquisites) shall be paid to Mr. Rangarajan Raghavan as the minimum remuneration in the event of absence or inadequacy of profits in any financial year of the Company.

OTHER TERMS AND CONDITIONS

- a) He shall not be paid any sitting fees for attending Board/ Committee Meetings.
- b) He shall not become interested or otherwise concerned directly or through his wife and/or minor children in any selling agency without prior approval of the Central Government.
- c) The appointment may be terminated by the Company or by Mr. Rangarajan Raghavan by giving not less than three months' prior notice in writing.

The Company is in compliance to the following conditions stipulated under Clause (B) of Section II of Part II of Schedule V of Companies Act, 2013.

1. Mr. Raghavan is holding 34,500 (0.00%) equity shares of the Company (These share were granted to Mr. Raghavan under employee stock option scheme). Hence Mr. Raghavan is deemed to not having any interest in the capital of the Company or its holding company or any of its subsidiary companies directly or indirectly or through any other statutory structures and not having any direct or indirect interest or related to the directors or promoters of the Company or its holding company or any of its subsidiary companies at any time during the last two years before or on the date of appointment; and
2. Mr. Raghavan is diploma holder in Electrical Engineering from MCM Polytechnic, Chennai-1973 and has expert and specialized knowledge in the field of his profession.

The information required under Clause (B) of Section II of Part II of Schedule V of Companies Act, 2013 is annexed hereto as Annexure – A

The Directors are of the opinion that Mr. Rangarajan Raghavan's knowledge and experience will be of immense value to the Company.

The Board, therefore, recommends the approval of the Resolution set out at Item No. 6 of the Notice convening the Meeting.

The Special resolution proposed to be passed is an enabling resolution, permitting the Company to pay the fixed remuneration even during absence or inadequacy of profits in any financial year, in compliance with Section 197, 198 read with Schedule V to the Companies Act, 2013.

Except Mr. Rangarajan Raghavan, none of the Directors or Key Managerial Personnel or their relatives are in any way concerned or interested in the passing of the resolution set out at item no. 6 of the Notice.

ITEM NO. 7

To sell/ transfer/ dispose off the shares of step down subsidiary, HCL Insys Pte. Ltd, Singapore to M/s PCCW Solutions Limited

Pursuant to Regulation 24(5) of SEBI (Listing Obligations and disclosure requirements) Regulations, 2015, a listed entity shall not dispose of shares in its Material Subsidiary resulting in reduction of its shareholding (either on its own or together with other subsidiaries) to less than fifty percent or cease the exercise of control over the subsidiary without passing a special resolution. "Material Subsidiary" for this purpose means a subsidiary, whose income or net worth exceeds ten percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

As the income and net worth of HCL Insys Pte. Ltd exceeds 10% of the consolidated income and net worth of the Company respectively as on the date of the last audited balance sheet i.e., on 31st March, 2019, the Company is required to obtain the Shareholders approval by way of a Special Resolution to Sell/Transfer/Dispose off the shares of HCL Insys Pte. Ltd, Singapore.

Further, as per Section 180(1)(a) of the Companies Act, 2013, any sale, lease or otherwise disposal off the whole or substantially the whole of the 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 percent of the total income of the company during the previous financial year.

The Company is required to obtain the Shareholders approval by way of a Special Resolution under Section 180(1)(a) to Sell/ Transfer/Dispose off the shares of HCL Insys Pte. Ltd, Singapore.

The Company proposes to sell the entire investment held by HCL Learning Limited (“**Seller**”) (a subsidiary of the Company) in the shares of its wholly owned subsidiary HCL Insys Pte. Limited, Singapore (“**Target**”) excluding the trading business of the Target and the shareholding held by the Target in M/s Nurture Technologies FZE (a subsidiary of the Target which contains the residual asset and business of Middle East) to M/s PCCW Solutions Limited, a leading IT services provider in Hong Kong, (the technology solutions arm of PCCW Limited, a global company headquartered in Hong Kong which holds interests in telecommunications, media, IT solutions, property development and investment, and other businesses). The consideration shall be the enterprise value of the Target (being SGD 42,000,000 on a debt free/cash free basis) subject to adjustments based on the cash, debt and working capital positions of the Target on the date of consummation of the proposed transaction. As on 31st March, 2019 the Target had an adjusted net cash position SGD 11,944,849.

A Share Purchase Agreement for the proposed transaction has been signed between HCL Learning Limited and M/s PCCW Solutions Limited on 6th August, 2019. As per the said share purchase agreement, the proposed transaction is subject to performance of the relevant conditions, including receipt of necessary approvals, from the shareholders of the Company (for consummation of the proposed transaction) and receipt of necessary approvals from the statutory authorities.

As state above, the proposed transaction excludes the following business and investments of the Target (“**Carve out Businesses**”):

- (i) Trading business of the Target, and
- (ii) Target’s investment in its wholly owned subsidiary, Nurture Technologies FZE,

In line with the Company’s strategy to focus on restructuring and monetizing its businesses and assets to reduce its debt obligation, the Board has recommended divestment. The consideration from this transaction will be applied to repay the debt of the Company.

None of the Directors, Key Managerial Person, or their relatives is concerned or interested in this resolution except to the extent of their shareholding, if any, in the Company.

The Board, therefore, recommends the approval of the Resolution set out at Item No. 7 of the Notice convening the Meeting.

Annexure: A

Statement required under Clause (B) of Section II of Part II of Schedule V of Companies Act, 2013:

1. GENERAL INFORMATION

- a) **Nature of the industry:** HCL Infosystems Ltd. is a Distribution, IT Solutions and Services Company, enabling organizations attain and sustain competitive advantage by leveraging Information and Communication Technologies. It offers a portfolio of capabilities spanning value-added distribution of technology, mobility and consumer products to IT & System Integration services.
- b) **Date or expected date of commencement of commercial production:** The Company is in business from 1986
- c) **In case of new companies, expected date commencement of activities as per project approved by financial institutions appearing in the prospectus:** NA
- d) **Financial performance based on given indicators:**

₹ in Crores

| Year | Turnover | Net profits as per profit and loss account | Amount of Dividend declared | Rate of dividend declared |
|------|----------|--|-----------------------------|---------------------------|
| 2019 | 3,581.45 | (206.33) | NIL | NIL |
| 2018 | 2,950.30 | (631.57) | NIL | NIL |

- e) **Foreign investment or collaborations, if any:** The Company has a total of 3 overseas step-down subsidiary companies. The names and other financial details about these subsidiaries have been disclosed in Schedules to the Balance Sheet forming part of Annual Report of the Company.

2. INFORMATION ABOUT MR. RANGARAJAN RAGHAVAN

a) Background details:

Mr. Rangarajan Raghavan is a seasoned strategic leader who brings proven expertise in technology support & serving clients across various industries. With a career spanning over 30 years, Rangarajan carries a rich experience of driving business and leading various functions.

Rangarajan has been a part of the HCL Enterprise for over three decades. His association has immensely contributed to the overall growth of the brand and has helped various businesses scale new heights. In his previous role, Rangarajan was the Head of Global Operations for BPO Services where he was responsible for transforming HCL's Next Gen BPO from a traditional BPO services business to a provider of holistic next generation business and technical services to marquee Fortune 500 customers across the globe.

- b) Past Remuneration:** As mentioned above as received till 30th June, 2019
- c) Recognition or awards:** Honored with the HCL Chairman's Award for Distinguished Service for his contribution in the success and growth of the organization.
- d) Job Profile and his suitability:**

The role of Mr. Raghavan as Managing Director of the Company includes overall responsibility for the growth and day to day business activity of the Company. He provides the necessary strategic direction to all business lines/interest of the Company. He is instrumental in the overall business development of the Company as well.

Keeping in view his working with the Company he is eminently suitable for the present position. He is the key person in strategic decision making on critical issues in the business and management of the Company.

- e) Remuneration proposed:**

The terms of the remuneration proposed to be paid to Mr. Raghavan have been specified in the explanatory statement to the AGM notice.

- f) Comparative remuneration profile with respect to industry, size of the company, profile of the position and person**

The remuneration proposed to be paid to Mr. Raghavan is in line with remuneration of Managing Director of other companies, keeping in view his job profile, the size of operations and complexity of business of the Company.

- g) Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any**

Mr. Rangarajan Raghavan is not related to any Director or Managerial Personnel of the Company. He does not have any pecuniary relationship directly or indirectly with the Company or its managerial personnel, other than drawing his remuneration from the Company in the capacity of Managing Director.

3. OTHER INFORMATION

- a) Reasons of loss or inadequate profits:**

- (i) High Interest cost: Current year witnessed higher interest cost.
- (ii) The Company had started a business transformation exercise in FY14, and over the years our key businesses have evolved into different areas. As a result we have exited some lines of businesses and even sold some lines of businesses to external investors. The accompanying change has led to higher costs in the interim due to transformation and losses on account of change in strategic business direction.

- b) Steps taken or proposed to be taken for improvement:**

The whole idea behind this business transformation was to focus on generating better returns for shareholders. However, as with any business transformation – It takes couple of years to bring out the desired results.

- c) Expected increase in productivity and profits in measurable terms:**

In addition to steps proposed to be taken for improvement as mentioned above, the focus would be on improvement of cost optimization and quality standards thereby achieving increase in productivity and profits.

4. Disclosures in Board of Directors' report under the heading "Corporate Governance":

The requisite details of remuneration of Directors are included in the Corporate Governance Report, forming part of the Annual Report of the Company.

Brief Profile of Mr. Pawan Kumar Danwar seeking re-appointment as Director of the Company

| | |
|--|--|
| Name of Director | Mr. Pawan Kumar Danwar |
| Date of Birth | 07/07/1966 |
| Age (years) | 53 years |
| Date of Appointment | 21/03/2014 |
| Nationality | Indian |
| Qualifications | CA & CS |
| Expertise in specific functional area | Working as Executive Vice-President & CFO of HCL Corporation and honorary CFO of Shiv Nadar Foundation, India's leading philanthropic initiatives for nation building. He brings over 29 years of vast experience to HCL. His association with the HCL Group spans over 23 years and he has served in different operational and strategic finance profiles within HCL; such as Business Finance, Corporate Restructuring, Acquisition & Business Integration, Treasury, Planning & Strategy, Commercial, Business Development, Secretarial, Legal & Corporate Compliance and Investor Relationship. He has not only been instrumental in shaping different financial strategies for HCL but he has also been associated with various new business initiatives. |
| Directorships held in other Companies as on date | - Digilife Distribution and Marketing Services Limited - Shiv Nadar AIC Research Foundation - HCL Healthcare Private Limited |
| Membership/Chairmanship in Committees of other companies as on date | NIL |
| Number of shares held in the Company as on date | NIL |
| Relationship with other Directors/Manager and other KMP | Mr. Danwar has not any relation with other Directors/Manager and other KMP |
| No. of Board Meeting attended during the year | 5 |

Mr. Pawan Kumar Danwar 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. Pawan Kumar Danwar 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.

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

ATTENDANCE SLIP

33rd Annual General Meeting –Monday, 16th September, 2019

FOLIO NO./CLIENT ID No. _____ DP ID No. _____

No. of Shares held _____

I certify that I am a member/proxy for the member of the Company.

I hereby record my presence at the 33rd Annual General Meeting of the Company held on Monday, 16th September, 2019 at 10:00 A.M. at Kamani Auditorium, 1, Copernicus Marg, New Delhi - 110001.



Name of the Member / Proxy

Signature of the Member / Proxy

Note:

1. Please complete the Folio/Client ID No. and name, sign the Attendance Slip and hand it over at the Attendance Verification counter at the entrance of the Meeting Hall.
2. Electronic copy of the Annual Report for the financial year ended on 31st March, 2019 and Notice of the Annual General Meeting (AGM) alongwith Attendance Slip and Proxy Form is being sent to all the members whose e-mail address is registered with the Company/ Depository Participant unless any member has requested for a hard copy of the same. Members receiving electronic copy and attending the AGM can print copy of this Attendance Slip.
3. Physical copy of Annual Report for the financial period ended on 31st March, 2019 and Notice of Annual General Meeting alongwith Attendance Slip and Proxy Form is sent in the permitted mode(s) to all members whose email is not registered or who have requested for a hard copy.
4. **Please note that snacks box shall not be distributed at the Annual General Meeting.**

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

PROXY FORM

MGT-11

[Pursuant to Section 105(6) of the Companies Act, 2013 and rule 19(3) of the
(Companies Management and Administration) Rules, 2014]

33rd Annual General Meeting – Monday, 16th September, 2019

Name of member(s) :

Registered address :

E-mail :

Folio No./Client ID No. :

DP ID No. :

I/We, being the member(s) of shares of the above named company,
hereby appoint

1. Name Email
Address
..... Signature or failing him;
2. Name Email
Address
..... Signature or failing him;
3. Name Email
Address
..... Signature

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 33rd Annual General Meeting of the Company to be held on Monday, 16th September, 2019 at 10:00 A.M. at Kamani Auditorium, 1, Copernicus Mag, New Delhi – 110001 and at any adjournment thereof in respect of such resolutions as are indicated below:

| Resolution No. | Resolutions |
|-------------------------------|--|
| Ordinary Business(s) | |
| 1. | To receive, consider and adopt the audited standalone and consolidated financial statements of the Company for the financial year ended 31 st March, 2019, including the audited Balance Sheet as at 31 st March, 2019, the Statement of Profit and Loss for the year ended on that date and the Reports of the Board of Directors and Auditors thereon. |
| 2 | To appoint a Director in place of Mr. Pawan Kumar Danwar (DIN 06847503), who retires by rotation and being eligible, offers himself for re-appointment. |
| Special Businesses(es) | |
| 3. | Re-appointment of Mr. Kaushik Dutta as an Independent Director of the Company |
| 4. | Re-appointment of Ms. Sangeeta Talwar as an Independent Director of the Company |
| 5. | Change in designation of Dr. Nikhil Sinha from Non Independent Director to Independent Director |
| 6. | Approval for revision in the Remuneration to be paid to Mr. Rangarajan Raghavan (DIN 07932761), Managing Director of the Company |
| 7. | To sell/ transfer/ dispose off the shares of step down subsidiary, HCL Insys Pte. Ltd, Singapore to M/s PCCW Solutions Limited |

Signed this day of 2019

Signature of the shareholder/Signature of the Proxy Holder(s)

Affix ₹ 1
Revenue
Stamp

Note : This Proxy form in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.

**Route map of Annual General Meeting Venue,
Kamani Auditorium, 1, Copernicus Marg, New Delhi – 110001**

