HCL Technologies Limited and Subsidiaries

Consolidated Financial Statements

Years Ended March 31, 2018, 2019 and 2020

With Report of Independent Auditors

HCL Technologies Limited and Subsidiaries
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KPMG

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Independent Auditors' Report

The Board of Directors
HCL Technologies Limited:

We have audited the accompanying consolidated financial statements of HCL Technologies Limited and its subsidiaries (the "Company"), which comprise the consolidated balance sheet as of March 31, 2020, and the related consolidated statements of income, comprehensive income, equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the fiscal year March 31, 2020 consolidated financial statements referred to above present fairly, in all material respects, the financial position of HCL Technologies Limited and its subsidiaries as of March 31, 2020, and the results of their operations and their cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

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Emphasis of Matter

As discussed in Note 2(g) and 2(t) to the consolidated financial statements for the year ended March 31, 2020, the Company adopted new accounting guidance for Leases, *Accounting Standards Codification Topic 842, Leases (Topic 842),* as of April 1, 2019. Our opinion is not modified with respect to this matter.

Other Matter

The accompanying consolidated financial statements of HCL Technologies Limited and its subsidiaries as of March 31, 2019 and for the years ended March 31, 2019 and 2018, were audited by other auditors whose report thereon dated May 9, 2019, expressed an unmodified opinion on those financial statements.

KPMG

Gurugram, Haryana, India
May 07, 2020

HCL Technologies Limited and Subsidiaries
Consolidated Balance Sheets
Amount in thousands, except share and per share data

	As of March 31,	
	2019	2020
ASSETS		
Current assets		
Cash and cash equivalents	$857,771	$640,138
Term deposits with banks	279,689	16,255
Deposit with corporations	189,477	451,924
Investment securities, available for sale	321,174	923,591
Accounts receivable, net	1,693,513	1,867,997
Unbilled receivable	420,102	480,752
Inventories	13,142	12,080
Other current assets	524,492	685,676
Total current assets	**4,299,360**	**5,078,413**
Deferred income taxes, net	349,597	300,894
Deposit with corporations	51,366	-
Investments in affiliates	5,009	5,022
Other investments	7,217	5,145
Property and equipment, net	839,317	825,204
Operating lease right-of-use assets	-	346,938
Intangible assets, net	1,223,008	1,732,052
Goodwill	1,337,331	2,156,195
Other assets	408,965	548,305
Total assets (a)	**$8,521,170**	**$10,998,168**

See accompanying notes to the consolidated financial statements.

HCL Technologies Limited and Subsidiaries
Consolidated Balance Sheets
Amount in thousands, except share and per share data

	As of March 31,	
	2019	**2020**
LIABILITIES, REDEEMABLE NON-CONTROLLING INTERESTS AND EQUITY		
Current liabilities		
Current portion of finance lease liabilities	$15,245	$23,034
Current portion of operating lease liabilities	-	71,537
Accounts payable	257,548	222,341
Short term borrowings	104,676	243,770
Current portion of long term debt	56,209	52,795
Accrued employee costs	399,041	420,767
Contract liabilities	152,337	356,753
Income taxes payable	133,955	141,835
Other current liabilities	654,699	1,596,113
Total current liabilities	**1,773,710**	**3,128,945**
Long term debt	415,835	376,382
Deferred income taxes, net	32,242	11,586
Operating lease liabilities, net of current portion	-	255,231
Finance lease liabilities, net of current portion	14,844	32,837
Accrued employee costs	113,121	149,927
Contract liabilities	30,953	49,250
Other liabilities	31,346	93,294
Total liabilities (a)	**$2,412,051**	**$4,097,452**
Commitments and contingencies (Note 27)		
Redeemable non-controlling interests	65,695	69,784
HCL Technologies Limited Shareholders' Equity		
Equity shares, ` 2 par value, authorized 1,500,000,000 and 3,000,000,000 shares as of March 31, 2019 and March 31, 2020, respectively		
Issued and outstanding 1,356,278,868 and 2,713,665,096 shares as of March 31, 2019 and March 31, 2020, respectively	55,743	93,788
Additional paid-in capital	412,327	412,327
Share application money pending allotment	1	-
Retained earnings	6,462,718	7,746,112
Accumulated other comprehensive loss	(887,365)	(1,426,694)
HCL Technologies Limited Shareholders' Equity	**6,043,424**	**6,825,533**
Non-controlling interest	-	5,399
Total equity	**6,043,424**	**6,830,932**
Total liabilities, redeemable non-controlling interests and equity	**$8,521,170**	**$10,998,168**

a) Consolidated assets at March 31, 2019 and March 31, 2020 include assets of certain variable interest entities (VIEs') that can only be used to settle the liabilities of those VIEs'. Consolidated liabilities at March 31, 2019 and March 31, 2020, include liabilities of certain VIEs' for which the VIEs' creditors do not have recourse to HCL Technologies Limited and Subsidiaries (See Note 10).

See accompanying notes to the consolidated financial statements.

HCL Technologies Limited and Subsidiaries

Consolidated Statements of Income

Amount in thousands, except share and per share data

	Year ended March 31,		
	2018 (1)	2019(1)	2020
Revenues	**$7,837,692**	**$8,632,425**	**$9,935,959**
Cost of revenues (exclusive of depreciation and amortization) (1)	5,128,214	5,478,026	6,188,123
Gross profit	**2,709,478**	**3,154,399**	**3,747,836**
Research and development (1)	19,494	132,074	180,981
Selling, general and administrative expenses (1)	912,743	1,027,677	1,222,089
Depreciation and amortization	225,153	306,673	399,233
Other (income) expenses, net	(182,540)	(135,059)	(76,567)
Finance cost (1)	15,114	24,893	51,293
Income before income taxes	**1,719,514**	**1,798,141**	**1,970,807**
Provision for income taxes	359,043	354,332	412,663
Net income	**1,360,471**	**1,443,809**	**1,558,144**
Net (loss) income attributable to redeemable non-controlling interest/ non-controlling interest	223	3,057	4,437
Net income attributable to HCL Technologies Limited shareholders	**$1,360,248**	**$1,440,752**	**$1,553,707**
Earnings per equity share (See note 23)			
Basic	$0.49	$0.52	$0.57
Diluted	$0.49	$0.52	$0.57
Weighted average number of equity shares used in computing earnings per equity share			
Basic	2,802,699,471	2,750,726,403	2,713,085,729
Diluted	2,804,419,115	2,751,714,943	2,713,665,096

(1) Cost of revenues, research and development, selling, general and administrative expenses, finance cost for the year ended March 31, 2018 and 2019 have been restated pursuant to adoption of ASU No. 2017-07 “Compensation - Retirement Benefits (Topic 715)”. The impact of such restatement is not material to the Group’s consolidated financial statements.

See accompanying notes to the consolidated financial statements.

HCL Technologies Limited and Subsidiaries
Consolidated Statements of Comprehensive Income
Amount in thousands, except share and per share data

	Year ended March 31,		
	2018	2019	2020
Net income attributable to HCL Technologies Limited shareholders	**$1,360,248**	**$1,440,752**	**$1,553,707**
Add : Net (loss) income attributable to redeemable non-controlling / non-controlling interest	**$223**	**$3,057**	**$4,437**
Other comprehensive income (loss) net of taxes:			
Change in unrealized gain (loss) on cash flow hedges, net of taxes $12,120, ($217) and $14,121 for the years ended March 31, 2018, 2019 and 2020, respectively.	(47,659)	3,752	(65,255)
Change in unrealized gain (loss) on securities available for sale, net of taxes ($218), $151 and ($309) for the years ended March 31, 2018, 2019 and 2020, respectively.	648	(573)	713
Change in unrealized gain (loss) on defined benefit plan, net of taxes ($361), ($900) and $2,490 for the years ended March 31, 2018, 2019 and 2020, respectively.	1,298	3,709	(10,057)
Change in foreign currency translation	58,584	(315,328)	(464,730)
Other comprehensive income (loss)	**12,871**	**(308,440)**	**(539,329)**
Add: Comprehensive loss attributable to non-controlling interest	**-**	**-**	(205)
Total comprehensive income	**$1,373,342**	**$1,135,369**	**$1,018,610**

See accompanying notes to the consolidated financial statements.

HCL Technologies Limited and Subsidiaries
Consolidated Statements of Equity
Amount in thousands, except share and per share data

	Equity shares				Retained earnings					
	Shares	Par value	Additional paid-in capital	Ordinary shares subscribed	Other unappropriated reserves	SEZ reinvestment reserve*	Accumulated other comprehensive loss	HCL Technologies Limited Shareholder' Equity	Non-controlling Interest	Total Equity
Balances as at March 31, 2017	**1,426,783,424**	**$57,791**	**$916,514**	**$5**	**$4,753,262**	**$-**	**($591,796)**	**$5,135,776**	**$26,659**	**$5,162,435**
Shares issued for exercised options	462,960	14	-	(5)	-	-	-	9	-	9
Buyback of equity shares (see note 20)	(35,000,000)	(1,090)	(504,853)	-	(39,214)	-	-	(545,157)	-	(545,157)
Expenses on buyback of equity shares	-	-	-	-	(2,193)	-	-	(2,193)	-	(2,193)
Stock options exercised pending allotment of shares	-	-	-	2	-	-	-	2	-	2
Excess tax benefit from stock options	-	-	997	-	-	-	-	997	-	997
Change in non-controlling interest	-	-	-	-	141	-	-	141	(26,882)	(26,741)
Cash dividend	-	-	-	-	(314,946)	-	-	(314,946)	-	(314,946)
Transfer to special economic zone (SEZ) reinvestment reserve *	-	-	-	-	(47,562)	47,562	-	-	-	-
Net income	-	-	-	-	1,360,248	-	-	1,360,248	223	1,360,471
Other comprehensive income (loss)	-	-	-	-	-	-	12,871	12,871	-	12,871
Balances as at March 31, 2018	**1,392,246,384**	**$56,715**	**$412,658**	**$2**	**$5,709,736**	**$47,562**	**($578,925)**	**$5,647,748**	**$-**	**$5,647,748**

* The Company has created SEZ Reinvestment Reserve out of profits of the eligible SEZ Units in terms of the specific provisions of Section 10AA(1) of the Income Tax Act, 1961 ("the Act"). The said reserve should be utilized by the Company for acquiring Plant and Machinery in terms of Section 10AA(2) of the Act.

See accompanying notes to the consolidated financial statements.

HCL Technologies Limited and Subsidiaries
Consolidated Statements of Equity
Amount in thousands, except share and per share data

	Equity shares				Retained earnings				
	Shares	Par value	Additional paid-in capital	Ordinary shares subscribed	Other unappropriated reserves	SEZ reinvestment reserve*	Accumulated other comprehensive loss	Total Equity	Redeemable non-controlling interest
Balances as at March 31, 2018	**1,392,246,384**	**$56,715**	**$412,658**	**$2**	**$5,709,736**	**$47,562**	**($578,925)**	**$5,647,748**	**$-**
Shares issued for exercised options	396,120	11	-	(2)	-	-	-	9	-
Buyback of equity shares (see note 20)	(36,363,636)	(983)	(331)	-	(539,565)	-	-	(540,879)	-
Expenses on buyback of equity shares	-	-	-	-	(1,603)	-	-	(1,603)	-
Stock options exercised pending allotment of shares	-	-	-	1	-	-	-	1	-
Redeemable non-controlling interest	-	-	-	-	-	-	-	-	59,050
Dividend to redeemable non-controlling interest	-	-	-	-	-	-	-	-	(1,972)
Change in fair value of redeemable non-controlling interest	-	-	-	-	(5,560)	-	-	(5,560)	5,560
Cash dividend	-	-	-	-	(188,604)	-	-	(188,604)	-
Transfer to special economic zone (SEZ) reinvestment reserve *	-	-	-	-	(62,839)	62,839	-	-	-
Transfer from special economic zone (SEZ) reinvestment reserve *	-	-	-	-	44,082	(44,082)	-	-	-
Net income	-	-	-	-	1,440,752	-	-	1,440,752	3,057
Other comprehensive income (loss)	-	-	-	-	-	-	(308,440)	(308,440)	-
Balances as at March 31, 2019	**1,356,278,868**	**$55,743**	**$412,327**	**$1**	**$6,396,399**	**$66,319**	**($887,365)**	**$6,043,424**	**$65,695**

* The Company has created SEZ Reinvestment Reserve out of profits of the eligible SEZ Units in terms of the specific provisions of Section 10AA(1) of the Income Tax Act, 1961 ("the Act"). The said reserve should be utilized by the Company for acquiring Plant and Machinery in terms of Section 10AA(2) of the Act.

See accompanying notes to the consolidated financial statements.

HCL Technologies Limited and Subsidiaries

Consolidated Statements of Equity

Amount in thousands, except share and per share data

	Equity shares				Retained earnings						
	Shares	Par value	Additional paid-in capital	Ordinary shares subscribed	Other unappropriated reserves	SEZ reinvestment reserve*	Accumulated other comprehensive loss	HCL Technologies Limited Shareholder' Equity	Non-controlling Interest	Total Equity	Redeemable non-controlling interest
Balances as at March 31, 2019	**1,356,278,868**	**$55,743**	**$412,327**	**$1**	**$6,396,399**	**$66,319**	**($887,365)**	**$6,043,424**	**$-**	**$6,043,424**	**$65,695**
Shares issued for exercised options	553,680	16	-	(1)	-	-	-	15	-	15	-
Issue of bonus shares (see note 20)	1,356,832,548	38,029	-	-	(38,029)	-	-	-	-	-	-
Cash dividend	-	-	-	-	(228,204)	-	-	(228,204)	-	(228,204)	-
Change in non-controlling interest	-	-	-	-	-	-	-	-	5,576	5,576	-
Dividend to redeemable non-controlling interest	-	-	-	-	-	-	-	-	-	-	(4,400)
Change in fair value of redeemable non-controlling interest	-	-	-	-	(4,080)	-	-	(4,080)	-	(4,080)	4,080
Transfer to special economic zone (SEZ) reinvestment reserve *	-	-	-	-	(101,012)	101,012	-	-	-	-	-
Transfer from special economic zone (SEZ) reinvestment reserve *	-	-	-	-	62,480	(62,480)	-	-	-	-	-
Net income	-	-	-	-	1,553,707	-	-	1,553,707	28	1,553,735	4,409
Other comprehensive income (loss)	-	-	-	-	-	-	(539,329)	(539,329)	(205)	(539,534)	-
Balances as at March 31, 2020	**2,713,665,096**	**$93,788**	**$412,327**	**$-**	**$7,641,261**	**$104,851**	**($1,426,694)**	**$6,825,533**	**$5,399**	**$6,830,932**	**$69,784**

* The Company has created SEZ Reinvestment Reserve out of profits of the eligible SEZ Units in terms of the specific provisions of Section 10AA(1) of the Income Tax Act, 1961 ("the Act"). The said reserve should be utilized by the Company for acquiring Plant and Machinery in terms of Section 10AA(2) of the Act.

See accompanying notes to the consolidated financial statements.

HCL Technologies Limited and Subsidiaries
Consolidated Statements of Cash Flows
Amount in thousands

	Year ended March 31,		
	2018	**2019**	**2020**
Cash flows from operating activities			
Net income	**$1,360,471**	**$1,443,809**	**$1,558,144**
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	225,153	306,673	399,233
Deferred income taxes	(10,518)	(86,500)	14,949
(Gain) loss on sale of property and equipment	(228)	(402)	58
Excess tax benefit related to stock options exercise	(1,002)	-	-
Gain on sale of investment securities and other investments	(23,884)	(23,435)	(17,690)
Equity in earnings of affiliates	(2,288)	(580)	(53)
Provision for doubtful accounts and bad debts, net	12,345	3,211	28,052
Others, net	15,664	(6,155)	29,143
	1,575,713	**1,636,621**	**2,011,836**
Changes in assets and liabilities, net of effects of acquisitions			
Accounts receivable and unbilled receivable	(179,117)	(251,167)	(494,659)
Other current, operating lease right-of-use assets and other assets (note 1)	16,103	(254,003)	(32,720)
Accounts payable	36,707	60,437	(20,107)
Accrued employee costs	9,107	96,480	72,697
Other current, operating lease liabilities and other liabilities	(116,526)	52,521	206,003
Net cash provided by operating activities	**1,341,987**	**1,340,889**	**1,743,049**
Cash flows from investing activities			
Purchase of property and equipment and intangibles	(832,776)	(519,948)	(262,572)
Proceeds from sale of property and equipment	4,265	4,399	4,333
Acquisition of business, net of cash acquired	(16,922)	(402,508)	(878,610)
Net cash in deconsolidated subsidiaries	(22,375)	-	-
Investment in term deposit with banks	(361,321)	(277,797)	(36,227)
Proceeds from term deposit with banks on maturity	1,198,710	332,819	290,419
Investment in term deposits with corporations	(564,780)	(204,117)	(704,465)
Proceeds from term deposits with corporations on maturity	387,487	486,497	457,972
Purchase of investment securities	(3,104,514)	(3,458,026)	(4,975,060)
Proceeds from sale or maturity of investment securities	2,901,091	3,537,522	4,323,970
Purchase of other investment	(452)	(4,949)	(2,340)
Investment in equity method investee	(240)	(320)	(160)
Dividend from equity method investee	-	-	199
Net cash used in investing activities	**(411,827)**	**(506,428)**	**(1,782,541)**

HCL Technologies Limited and Subsidiaries
Consolidated Statements of Cash Flows
Amount in thousands

	Year ended March 31,		
	2018	**2019**	**2020**
Cash flows from financing activities			
(Decrease) Increase of principal under finance lease obligations, net	1,462	7,664	17,157
Proceeds from short term borrowings	-	201,206	278,466
Repayment of short term borrowings	(5,095)	(100,000)	(131,419)
Proceeds from long term debt	3,011	444,590	21,468
Repayment of long term debt	(20,783)	(26,837)	(55,754)
Buyback of equity shares	(542,594)	(540,018)	-
Expenses on Buy Back of Equity Shares	(2,211)	(1,684)	-
Capital contribution from redeemable non-controlling Interests	-	41,000	-
Dividend to redeemable non-controlling Interests	-	(1,972)	(4,400)
Payment for deferred consideration on business acquisition	(2,465)	(3,788)	(41,489)
Proceeds from issuance of equity shares	14	8	15
Proceeds from subscription of shares pending allotment	2	1	-
Dividend paid	(314,863)	(188,589)	(228,182)
Excess tax benefit related to stock options exercise	1,002	-	-
Net cash used in financing activities	**(882,520)**	**(168,419)**	**(144,138)**
Effect of exchange rate changes on cash and cash equivalents and restricted cash (note 1)	5,870	(67,185)	(33,990)
Net increase (decrease) in cash and cash equivalents and restricted cash (note 1)	53,510	598,857	(217,620)
Cash and cash equivalents and restricted cash at the beginning of the year (note 1)	206,905	260,415	859,272
Cash and cash equivalents and restricted cash at the end of the year	**260,415**	**859,272**	**641,652**

Supplemental disclosures of cash flow			
Cash payments for income taxes	$388,959	$402,750	$ 378,812
Assets acquired under finance lease obligation	$15,795	$25,379	$49,661
Cash payments for interest expenses	$3,055	$2,348	$19,127

Note 1: The Group has adopted Accounting Standards Update No. 2016-18 (ASU 2016-18**)** “Restricted Cash - Statement of Cash Flows (Topic 230)” effective March 31, 2020. Accordingly, for 2019 and 2018, restricted cash and restricted cash equivalents movements have been reclassified from the head Other current, operating lease right-of-use assets and other assets and included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown in the consolidated statements of cash flows.

See accompanying notes to the consolidated financial statements.

1. ORGANIZATION AND NATURE OF OPERATIONS

HCL Technologies Limited (the "Company" or the "Parent Company") along with its subsidiaries (hereinafter collectively referred to as the "Group") is primarily engaged in providing a range of IT and Business Services, Engineering and R&D services and Products & Platforms services. The Company was incorporated in India in November 1991. The Group leverages its offshore infrastructure and professionals to deliver solutions across select verticals including financial services, manufacturing (automotive, aerospace, Hi-tech, semi conductors), lifesciences & healthcare, public services (oil and gas, energy and utility, travel, transport and logistics), retail and consumer products, telecom, media, publishing and entertainment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation and principles of consolidation

The accompanying consolidated financial statements include the accounts of HCL Technologies Limited and its subsidiaries and are prepared on the basis of US generally accepted accounting principles ("US GAAP").

The Group uses the United States Dollar ('$' or 'USD') as its reporting currency.

These consolidated financial statements include the accounts of all subsidiaries which are more than 50% owned and controlled by the Company. In addition, relationships with other entities are reviewed to assess if the Company is the primary beneficiary in any variable interest entity. If it is determined that the Company is the primary beneficiary, then that entity is consolidated. All intercompany accounts and transactions are eliminated on consolidation. Non-controlling interest represents the non controlling partner's interest in the proportionate share of net assets and results of operations of the Company's majority owned subsidiaries. Non-controlling interest in subsidiaries that is redeemable outside of the Company's control for cash or other assets is reflected in the mezzanine section between liabilities and equity in the consolidated balance sheets at the redeemable value, which approximates fair value. Redeemable non-controlling interest is adjusted to its fair value at each balance sheet date. Any resulting increases or decreases in the estimated redemption amount are affected by corresponding charges or credits to retained earnings. Cumulative dividend payable on preference shares is reflected in net loss (gain) attributable to redeemable non-controlling interest in the consolidated statements of income.

Issuance of shares by a subsidiary to third parties reduces the proportionate ownership interest of the Company in the subsidiary. A change in the carrying value of the investment in such subsidiary due to direct sale of un-issued equity shares is accounted for as a capital transaction and is recognized in equity when the transaction occurs.

The Group accounts for investments by the equity method where its investment in the voting stock gives it the ability to exercise significant influence over the affiliate. In the case of investments in Limited Liability Partnerships (LLPs), significant influence is presumed to exist where the Company has more than a 5% partnership interest.

The Group's equity in the profits (losses) of affiliates is included in the consolidated statements of income unless the carrying amount of an investment is reduced to zero and the Group is under no guaranteed obligation or otherwise committed to provide further financial support. The Group's share of net assets of affiliates is included in the carrying amount of the investment in the consolidated balance sheet.

(b) Use of estimates

The preparation of financial statements in conformity with US GAAP requires the management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs, expenses and other comprehensive income (loss) that are reported and disclosed in the consolidated financial statements and accompanying notes. These estimates are based on the management's best knowledge of current events, historical experience, actions that the Group may undertake in the future and on various other assumptions that are believed to be reasonable under the circumstances. Significant estimates and assumptions are used, but not limited to accounting for costs expected to be incurred to complete performance under IT service arrangements, allowance for uncollectible accounts receivables and unbilled receivables, accrual of warranty costs, income taxes, valuation of share-based compensation, future obligations under employee benefit plans and performance incentives, the measurement of lease liabilities and right of use assets, the useful lives of property, equipment and intangible assets, impairment of property, equipment, intangible assets and goodwill, estimates used to determine the fair value of assets acquired, including intangible assets and goodwill, and liabilities assumed in business combinations, valuation allowances for deferred tax assets, and other contingencies and commitments. Changes in estimates are reflected in the financial statements in the period in which the changes are made. Actual results could differ from those estimates.

(c) Functional currency and translation

The functional currency of each entity in the Group is its respective local currency except for seven subsidiaries outside India. The functional currency of the Company is INR. The translation from functional currency into USD (the reporting currency) for assets and liabilities is performed using the exchange rates in effect at the balance sheet date, and for revenue, expenses and cash flows is performed using an appropriate daily weighted average exchange rate for the respective periods. The gains (losses) resulting from such translation are reported as a component of 'other comprehensive income (loss)'.

Foreign currency denominated monetary assets and liabilities are re-measured into the functional currency at exchange rates in effect at the balance sheet date. Foreign currency transaction gains and losses are recorded in the consolidated statement of income within 'other income'. Any exchange difference in intercompany balances arising because of elimination of intercompany transactions are recorded in foreign currency translation under 'other comprehensive income (loss)'.

(d) Revenue recognition

Contracts involving provision of services and material

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

Time-and-material/Volume based/ Transaction based contracts

Revenue with respect to time-and-material, volume based and transaction based contracts is recognized as the related services are performed through efforts expended, volume serviced, transactions processed etc.

that correspond with value transferred to customer till date which is related to our right to invoice for services performed, in accordance with the practical expedient in ASC 606-10-55-18.

Fixed Price contracts

Revenue related to Fixed price contracts where performance obligations and control are satisfied over a period of time like technology integration, complex network building contracts, ERP implementations and Application development is recognized based on progress towards completion of the performance obligation using a cost-to-cost measure of progress (i.e., percentage-of-completion (POC) method of accounting). Revenue is recognized based on the costs incurred to date as a percentage of the total estimated costs to fulfill the contract. Any revision in cost to complete would result in increase or decrease in revenue and such changes are recorded in the period in which they are identified. Provisions for estimated losses, if any, on contracts-in-progress are recorded in the period in which such losses become probable based on the current contract estimates. Contract losses are determined to be the amount by which the estimated direct and incremental cost to complete exceeds the estimated future revenues that will be generated by the contract and are included in Cost of revenues and recorded in other accrued liabilities.

Revenue related to other fixed price contracts providing maintenance and support services, are recognized based on our right to invoice for services performed for contracts in which the invoicing is representative of the value being delivered, in accordance with the practical expedient in ASC 606-10-55-18. If invoicing is not consistent with value delivered, revenues are recognized as the service is performed based on the cost to cost method described above.

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

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

Proprietary Software Products

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

Multiple-performance obligations

When a sales arrangement contains multiple performance obligations, such as services, hardware and Licensed IPs (software) or combinations of each of them, revenue for each element is based on a five step approach as defined above. To the extent a contract includes multiple promised deliverables, judgment is applied to determine whether promised deliverables are capable of being distinct and are distinct in the context of the contract. If these criteria are not met, the promised deliverables are accounted for as a combined performance obligation. For arrangements with multiple distinct performance obligations or series of distinct performance obligations, consideration is allocated among the performance obligations based on their relative standalone selling price. Standalone selling price is the price at which group would sell a promised good or service separately to the customer. When not directly observable, we estimate standalone selling price by using the expected cost plus a margin approach. We establish a standalone selling price range for our deliverables, which is reassessed on a periodic basis or when facts and circumstances change. If the arrangement contains obligations related to License of Intellectual property (Software) or Lease deliverable, the arrangement consideration allocated to the Software deliverables, lease deliverable as a group is then allocated to each software obligation and lease deliverable using the guidance for recognizing Software revenue (ASC 606-10-55) and the lease revenue, as amended.

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

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

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

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

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

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

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

(e) Inventories

Inventories represent items of finished goods that are specific to execute composite contracts and also include finished goods which are interchangeable and not specific to any project. Inventory is carried at the lower of cost or net realizable value. The net realizable value is determined with reference to selling price of goods less the estimated cost necessary to make the sale. Cost of goods that are procured for specific projects is assigned by specific identification of their individual costs. Cost of goods which are interchangeable and not specific to any project is determined using weighted average cost formula. Inventories also include goods held by customer care department at customer's site for which risk and rewards have not been transferred to customers.

(f) Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation which is computed using the straight-line method over the estimated useful lives of the assets, which are as follows:

Asset description	**Asset life (in years)**
Buildings	20
Computer and networking equipment	4 to 5
Software	3
Furniture, fixtures and office equipment	5 to 7
Plant and equipment	10
Vehicles	5

Leasehold improvements are amortized on a straight-line basis over the shorter of the lease period or the estimated useful life of the asset. The cost of software obtained for internal use is capitalized and amortized over the estimated useful life of the software.

Advances paid towards the acquisition of property and equipment and cost of property and equipment not put to use before the balance sheet date are classified as capital work-in-progress (Note 7).

(g) Leases

A lease is a contract that contains right to control the use of an identified asset for a period of time in exchange for consideration.

Group as Lessee

Group is Lessee in case of office space, accommodation for its employees and IT equipment. These leases are evaluated to determine whether it contains a lease and they are classified as Finance lease or Operating lease in accordance with Financial Accounting Standard Board's (FASB) guidance under ASC 842, 'Accounting For Leases'.

Effective April 1, 2019, all leases with a term of more than 12 months are recognized as right-of-use assets along with associated lease liabilities, in the consolidated balance sheet.

Right-of-use assets represent the Group's right to control the underlying assets under lease, and the lease liability is the obligation to make the lease payments related to the underlying assets under lease. Right-of-use assets are for finance lease and operating lease.

Operating lease - Right-of-use asset is measured initially based on the lease liability adjusted for any initial direct costs, prepaid rent, and lease Incentives. Right-of-use asset is depreciated based on straight line method over the lease term or useful life of right-of-use asset, whichever is less.

Finance lease – Right-of-use asset is capitalized at the lower of the net present value of the total amount of rent payable under the leasing agreement (excluding finance charges) or the fair market value of the leased asset. Finance lease assets are depreciated on a straight-line basis, over a period consistent with the Group's normal depreciation policy for tangible fixed assets, but not exceeding the lease term. Interest charges are expensed over the period of the lease in relation to the carrying value of the finance lease obligation.

Subsequently, right-of-use asset is measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of lease lability.

The lease liabilities are measured at the lease commencement date and determined using the present value of the minimum lease payments not yet paid and the Group's incremental borrowing rate, which approximates the rate at which the Group would borrow in the country where the lease was executed. The lease payment comprises fixed payment less any lease incentives, variable lease payment that depends on an index or a rate, exercise price of a purchase option if the Group is reasonably certain to exercise the option and payment of penalties for terminating the lease, if the lease term reflects the group exercising an option to terminate the lease. Lease Liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made and remeasuring the carrying amount to reflect any reassessment or modification, if any.

The Group has elected to not recognize leases with a lease term of 12 months or less in the consolidated balance sheet, including those acquired in a business combination, and lease costs for those short-term leases are recognized on a straight-line basis over the lease term in the consolidated statement of income. For all asset classes, the Group has elected the lessee practical expedient to combine lease and non-lease components and account for the combined unit as a single lease component in case there is no separate payment defined under the contract.

Group as Lessor

When substantially all the risks and rewards of property ownership have been transferred to the Group, as determined by the test criteria in FASB's guidance under ASC 842, the lease qualifies as a finance lease which is further sub classified into Sales type lease or Direct finance lease. For a sales-type lease, the net investment in the lease is measured at commencement date as the sum of the lease receivable, the estimated guaranteed and unguaranteed residual value of the equipment. Any selling profit or loss arising from a sales-type lease is recorded at lease commencement.

Operating lease income and expense is recognized on a straight-line basis over the term of the lease.

When arrangements include multiple performance obligations, the company allocates the consideration in the contract between the lease components and the non-lease components on a relative standalone selling price basis.

(h) Impairment of long-lived assets and long-lived assets to be disposed off

In accordance with the provisions of ASC Topic 360, "Accounting for Impairment or Disposal of Long Lived Assets", long-lived assets, other than goodwill, are tested for impairment, based on undiscounted cash flows, whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable and, if impaired, written down to fair value.

(i) Investment securities

Investment securities consist of available-for-sale debt securities and other investments.

Available-for-sale securities having a readily determinable fair value are carried at fair value based on quoted market prices and other observable market inputs. Temporary unrealized gains and losses, net of the related tax effect are excluded from income and are reported as a separate component of ‘other comprehensive income (loss)’, until realized. Realized gains and losses from the sale of available-for-sale securities are determined on a investment by investment basis and are included in earnings.

Other Investments in equity securities are measured at fair value with changes in fair value recognized in net income and other investments in equity securities that do not have readily determinable fair values are measured at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions.

(j) Research and development

Research and development cost are expensed as incurred. Costs that are incurred to develop the finished product after technological feasibility has been established are capitalised as an intangible asset. Expenditure incurred on equipment and facilities acquired or constructed for research and development activities and having alternative future use is capitalized as property and equipment.

(k) Cash equivalents, deposits with banks and restricted cash

The Group considers all highly liquid investments with an original maturity of three months or less, at the date of purchase/investment, to be cash equivalents. Restricted cash represents margin money deposits against guarantees, letters of credit and bank balance earmarked towards unclaimed dividend. Restrictions on margin money deposits are released on the expiry of the term of guarantees and letters of credit.

Term deposits with banks and corporations represent term deposits earning fixed rate of interest with maturities ranging from more than three months to twenty-four months at the date of purchase/investment. Interest on term deposits with banks and corporations is recognized on an accrual basis.

(l) Income taxes

Income taxes are accounted for using the asset and liability method. Under this method, deferred income taxes are recorded to reflect the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each balance sheet date, based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. If it is determined that it is more likely than not that future tax benefits associated with a deferred income tax asset will not be realized, a valuation allowance is provided. The effect on deferred income tax assets and liabilities due to change in the tax rates is recognized in income in the period that includes the enactment date. Tax benefits earned on exercise of employee stock options in excess of compensation charged to income are credited to income tax expense in the consolidated statement of income. Provision for income taxes also includes the impact of provisions established for uncertain income tax positions, as well as the related interest and penalties.

(m) Earnings per share

Basic earnings per share are computed using the weighted average number of equity shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of equity and dilutive equity equivalent shares outstanding during the period, using the treasury stock method for options and reverse treasury stock method for buy back, except where results would be anti-dilutive.

(n) Stock based compensation

Stock-based compensation represents the cost related to stock-based awards granted to employees. The Company measures stock-based compensation cost at grant date, based on the estimated fair value of the award and recognizes the cost on a straight line basis (net of estimated forfeitures) over the employee's requisite service period for an award with only service condition and for an award with both service and performance condition on a straight line basis over the requisite service period for each separately vesting portion of the award, as if award was in substance, multiple awards. The Company estimates the fair value of stock options using the Black-Scholes valuation model. The cost is recorded in cost of revenue and selling, general and administrative expenses in the consolidated statement of income based on the respective employees' function.

All excess tax benefits and tax deficiencies are recognized as income tax expense or benefit in the income statement. The tax effects of exercised or vested awards are treated as discrete items in the reporting period in which they occur.

(o) Employee benefits

Defined contribution plan

Contribution to defined contribution plans is recognised as expense when employees have rendered services entitling them to such benefits.

Defined benefit plan

Provident fund:

Employees in India receive benefits from a provident fund. The employee and employer each make monthly contributions to the plan. A portion of the contribution is made to the provident fund trust managed by the Group; while the balance contribution is made to the Government administered Pension fund. The Group has an obligation to fund any shortfall on the yield of the Trust's investments over the administered interest rates.

Gratuity:

Employees in India are entitled to benefits under the Gratuity Act, a defined benefit retirement plan covering eligible employees of the Group. This plan provides for a lump-sum payment to eligible employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and tenure of employment (subject to a maximum amount as prescribed under the Gratuity Act). The Group accounts for liability based on actuarial valuation using the projected unit credit method at the end of each year. The Group has unfunded gratuity obligations except in respect of certain employees in India, where the Group contributes towards gratuity liabilities to the Gratuity Fund Trust, which invests the contributions in a scheme with the Life Insurance Corporation of India as permitted by law.

Compensated absences:

The employees of the Group are entitled to compensated absences. The employees can carry forward up to the specified portion of the unutilized accumulated compensated absences and utilize it in future periods or receive cash at retirement or termination of employment. The Group records an obligation for compensated absences in the period in which the employee renders the services that increases this entitlement. The Group measures the expected cost of compensated absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period. The Group recognizes accumulated compensated absences based on actuarial valuation using the projected unit credit method as the end of each year. Non-accumulating compensated absences are recognized in the period in which the absences occur. The Group recognizes actuarial gains and losses immediately in the statement of income.

(p) Dividend

Final dividend proposed by the Board of Directors is recognized upon approval by the shareholders who have the right to decrease but not increase the amount of dividend recommended by the Board of Directors. Interim dividends are recognized on declaration by the Board.

(q) Derivative and hedge accounting

Foreign exchange forward contracts and options are purchased to mitigate the risk of changes in foreign exchange rates associated with forecasted transactions denominated in certain foreign currencies, and interest rate swaps are entered to mitigate interest rate fluctuation risk on our indebtedness. In accordance with FASB guidance ASC 815, “Accounting for Derivative Instruments and Hedging Activities”, the Group recognizes all derivatives as assets or liabilities measured at their fair value, regardless of the purpose or intent of holding them. Changes in fair value for derivatives not designated in a hedge accounting relationship are marked to market at each reporting date and the related gains (losses) are recognized in the consolidated statement of income as ‘foreign exchange gains (losses)’ and finance cost as applicable.

The foreign exchange forward contracts, options and interest rate swaps in respect of forecasted transactions which meet the hedging criteria are designated as cash flow hedges. Changes in the derivative fair values that are designated as effective cash flow hedges are deferred and recorded as component of ‘other comprehensive income (loss)’ (OCI) until the hedged transaction occurs and are then recognized as ‘foreign exchange gains (losses)’ and ‘finance cost’ as applicable in the consolidated statement of income. The ineffective portion of hedging derivatives is immediately recognized in the consolidated statement of income.

In respect of derivatives designated as hedges, the Group contemporaneously and formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also formally assesses both at the inception of the hedge and on an ongoing basis, whether each derivative is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Hedge accounting is discontinued prospectively from the last testing date when (1) it is determined that the derivative financial instrument is no longer effective in offsetting changes in the fair value or cash flows of the underlying exposure being hedged; (2) the derivative financial instrument matures or is sold, terminated or exercised; or (3) it is determined that designating the derivative financial instrument as a hedge is no longer appropriate. When hedge accounting is discontinued the deferred gains or losses on the cash flow hedge remain in ‘other comprehensive income (loss)’ until the forecasted transaction occurs. Any further change in the fair value of the derivative financial instrument is recognized in current period earnings.

See Note 12 for additional information.

(Amount in thousands, except per share data and as stated otherwise)

(r) Goodwill and intangibles

Goodwill represents the excess of the purchase price in a business combination over the fair value of net tangible and intangible assets acquired. Goodwill is not amortized but is reviewed for impairment annually or more frequently if indicators arise. Goodwill is tested annually on March 31, for impairment, or sooner when circumstances indicate impairment may exist, using a fair-value approach at the reporting unit level. A reporting unit is the operating segment, or a business, which is one level below that operating segment (the "component" level) if discrete financial information is prepared and regularly reviewed by the management at that level. Components are aggregated as a single reporting unit if they have similar economic characteristics. In accordance with ASC topic 350, *"Intangibles - Goodwill and Other"*, all assets and liabilities of the acquired businesses including goodwill are assigned to reporting units. The evaluation is based upon a comparison of the estimated fair value of the reporting unit to which the goodwill has been assigned with the sum of the carrying value of the assets and liabilities for that reporting unit. The fair value used in this evaluation is estimated based upon discounted future cash flow projections for the reporting unit. These cash flow projections are based upon a number of estimates and assumptions.

Intangible assets are initially valued at fair market value using generally accepted valuation methods appropriate for the type of intangible asset. Certain Licensed IPRs which include the right to modify, enhance or exploit are amortised in proportion to the expected benefits over the useful life which could range up to 15 years. Intangible assets with definite lives are amortized over the estimated useful lives and are reviewed for impairment, if indicators of impairment arise. The evaluation of impairment is based upon a comparison of the carrying amount of the intangible asset with the estimated future undiscounted net cash flows expected to be generated by the asset. If estimated future undiscounted cash flows are less than the carrying amount of the asset, the asset is considered impaired. The impairment expense is determined by comparing the estimated fair value of the intangible asset to its carrying value, with any shortfall from fair value recognized as an expense in the current period. The intangible assets with definite lives are amortized over the estimated useful lives of the assets as under:

Asset description	Asset life (in years)
Customer relationships	1 to 10
Customer contracts	0.5 to 10
Technology	2.5 to 15
Licensed IPRs	5 to 15
Assembled workforce	5
Non-compete agreements	3 to 5
Intellectual property rights	4 to 6
Brand and others	2 to 5

(s) Reclassifications

Certain reclassifications have been made to conform prior period consolidated financial statements to the classification used in the current period. The Company during year ended March 31, 2020 changed the functional classification within the consolidated statement of income, which has resulted in separate presentation of "Research and Development" cost with corresponding decrease in "Cost of revenues" and increase in "Gross profit". The reclassification had no impact on the reported net income, comprehensive income or shareholders' equity.

(Amount in thousands, except per share data and as stated otherwise)

(t) Recently issued accounting pronouncements

Adoption of new accounting principles

In February 2016, the FASB issued Accounting Standards Update No. 2016-02 (ASU 2016-02) "Leases (ASC 842)". This update, as well as additional amendments and targeted improvements issued supersedes existing lease accounting guidance found under ASC 840, Leases, and requires the recognition of right-of-use assets and lease obligations by lessees for those leases originally classified as operating leases under prior lease guidance.

The Group has adopted the new Accounting Standards Codification ASC 842, Leases, effective April 1, 2019 using the modified retrospective approach which involves recognizing new right-of-use ("ROU") assets and lease liabilities on its consolidated balance sheets for various operating leases. Comparative information has not been adjusted and continues to be reported under ASC 840. As a result of the Group's adoption of this new standard, all leases are classified as either operating leases or finance leases and are recorded on the consolidated balance sheets. The Group also elected the "package of practical expedients", not to reassess prior conclusions related to contracts containing leases, lease classification and initial direct costs. The Group has elected the lessee practical expedients to combine lease and non-lease components and account for the combined unit as a single lease component, in case there is no separate payment defined under the contract and to use the recognition exemption for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option that the lessee is reasonably certain to exercise ("short-term leases"). The accounting for finance leases (capital leases under ASC 840) is substantially unchanged.

As a result of adoption of ASC 842, the Group recognized additional lease liabilities of $306,993, and ROU assets of $331,123.

Impact on consolidated financial statements

The following table summarizes the impact of the Group's adoption of ASC 842 on its consolidated financial statements as of April 1,2019.

	As reported March 31, 2019	Adoption of ASC 842 Increase (Decrease)	Balance as of April 01, 2019
Prepaid expenses (note1)	$146,115	($3,496)	$142,619
Prepaid rentals for Leasehold land (including current and non current portion) (note2)	41,249	(41,249)	-
Operating lease right-of-use assets	-	331,123	331,123
Operating leases liability (including current and non current portion)	-	306,993	306,993
Accrued liabilities and expenses – current (note3)	409,146	(20,615)	388,531

Note1: Includes prepaid rent amounting to $3,496, reclassified to operating lease right-of-use assets.
Note2: Prepaid rental for leasehold land amounting to $41,249 has been reclassified to operating lease right of use assets.
Note3: Includes lease equalization reserve of $20,615 adjusted with operating lease right-of-use assets.

In January 2016, the FASB issued ASU No. 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities ("ASU 2016-01"). The standard requires investments previously accounted for under the cost method of accounting to be measured at fair value with changes in fair value recognized in net income. Investments in equity securities that do not have readily determinable fair values will be measured at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions. The Group adopted ASU 2016-01 effective March 31, 2020, and the adoption did not have any material impact on its consolidated financial statements.

In August 2016, the FASB issued Accounting Standards Update No. 2016-15 (ASU 2016-15) "Classification of Certain Cash Receipts and Cash Payments", which adds or clarifies guidance on the presentation and classification of eight specific types of cash receipts and cash payments in the statement of cash flows, with the intent of reducing diversity in practice. The amendments in this Update are effective for the year ended March 31, 2020. The Group has adopted the new Accounting Standards Update No. 2016-15, effective March 31, 2020 using a prospective transition method. The adoption of guidance does not have any impact in the consolidated financial statements.

In October 2016, the FASB issued Accounting Standards Update No. 2016-16 (ASU 2016-16) "Intra-Entity Transfers of Assets Other Than Inventory". Current GAAP prohibits the recognition of current and deferred income taxes for intra-entity asset transfers until the asset has been sold to an outside party. The amendments in this Update eliminate this prohibition for intra-entity transfer of assets other than inventory but retain the prohibition for intra-entity transfer of inventory. Consequently, an entity is required to recognize the current and deferred income taxes resulting from an intra-entity transfer of assets other than inventory when the transfer occurs. The Group has adopted the new Accounting Standards Update No. 2016-16, effective March 31, 2020. The adoption of this update did not have any impact on the Group consolidated financial statements.

In November 2016, the FASB issued Accounting Standards Update No. 2016-18 (ASU 2016-18**)** "Restricted Cash - Statement of Cash Flows (Topic 230)". Diversity exists in the classification and presentation of changes in restricted cash on the statement of cash flows. This Update requires that the amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this Update are effective for the year ended March 31, 2020. The Group has adopted the new Accounting Standards Update No. 2016-18, effective March 31, 2020 using a retrospective transition method to each period presented. The adoption of this update did not have a material impact on the consolidated financial statements.

In March 2017, the FASB issued Accounting Standards Update No. 2017-07 (ASU 2017-07) "Compensation—Retirement Benefits (Topic 715)", Under generally accepted accounting principles (GAAP), defined benefit pension cost and postretirement benefit cost (net benefit cost) comprise several components that reflect different aspects of an employer's financial arrangements as well as the cost of benefits provided to employees. The amendments in this update require that an employer disaggregate the service cost component from the other components of net benefit cost and to include only the service cost component of net periodic pension cost and net periodic post-retirement benefit cost in operating expenses (together with other employee compensation costs). The other components of net benefit cost, including amortization of prior service cost/credit, and settlement and curtailment effects, are to be included in non-operating expenses. The amendments in this update are effective for the year ended March 31, 2020.

The Group has adopted ASU No. 2017-07, effective March 31, 2020. Pursuant to its adoption, the Group retrospectively restated $4,329 and $4,721 related to other components of net benefit cost previously reported as part of cost of revenues, research and development, selling, general and administrative expenses to finance cost for years ended March 31,2019 and 2018, respectively (see note 25).

New accounting pronouncements

In June 2016, the FASB issued Accounting Standards Update No. 2016-13 (ASU 2016-13) "Financial Instruments—Credit Losses" which require a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is to be deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset. The amendments are effective for the fiscal year beginning April 01, 2023 including interim periods within those fiscal years. The Group is currently in the process of evaluating the impact that adoption of this standard will have on its consolidated financial statements.

In January 2017, the FASB issued Accounting Standards Update No. 2017-04 (ASU 2017-04) "Intangibles—Goodwill and Other (Topic 350)", Simplifying the Test for Goodwill Impairment, which eliminates Step 2 of the goodwill impairment test that had required a hypothetical purchase price allocation. Rather, entities should apply the same impairment assessment to all reporting units and recognize an impairment loss for the amount by which a reporting unit's carrying amount exceeds its fair value, without exceeding the total amount of goodwill allocated to that reporting unit. Entities will continue to have the option to perform a qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The amendments are effective for the fiscal year beginning April 01, 2022 including interim periods within those fiscal years. The Group is currently in the process of evaluating the impact that adoption of this standard will have on its consolidated financial statements.

In August 2017, the FASB issued Accounting Standards Update No. 2017-12 (ASU 2017-12) "Derivatives and Hedging (Topic 815)". The amendments in this Update more closely align the results of cash flow and fair value hedge accounting with risk management activities through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results in the financial statements. The amendments address specific limitations in current GAAP by expanding hedge accounting for both non financial and financial risk components and by refining the measurement of hedge results to better reflect an entity's hedging strategies. Thus, the amendments will enable an entity to include the earnings effect of the hedging instrument in the same income statement line item in which the earnings effect of the hedged item is presented. The amendments are effective for fiscal years beginning April 01, 2021. Early application is permitted in any interim period after issuance of the Update. The Group is currently in the process of evaluating the impact that the adoption of this standard will have on its consolidated financial statements.

In August 2018, the FASB issued Accounting Standards Update No. 2018-13 (ASU 2018-13) "Fair value measurement (Topic 820)". The amendments in this Update apply to all entities that are required, under existing GAAP, to make disclosures about recurring or nonrecurring fair value measurements. The amendments in this Update modify the disclosure requirements on fair value measurements in Topic 820, including the consideration of costs and benefits. The amendments are effective beginning April 01, 2020 including interim periods. The Group does not expect the adoption of this update to have a material impact on its consolidated financial statements

In August 2018, the FASB issued ASU No. 2018-14, "Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans." The ASU modifies the disclosure requirements with respect to defined benefit pension plans. The ASU is effective for the Company beginning April 1, 2022. Early adoption is permitted. The Company is in the process of assessing the impact of this ASU on its consolidated results of operations, cash flows, financial position and disclosures.

In May 2019, the FASB issued ASU No. 2019-05, "Financial Instruments—Credit Losses (Topic 326)." The ASU provides final guidance that allows entities to make an irrevocable one-time election upon adoption of the new credit losses standard to measure financial assets measured at amortized cost (except held-to-maturity securities) using the fair value option. The amendments are effective for the fiscal year beginning April 01, 2023, including interim periods within those fiscal years. The Group is currently in the process of evaluating the impact that adoption of this standard will have on its consolidated financial statements.

(Amount in thousands, except per share data and as stated otherwise)

In December 2019, the FASB issued ASU No. 2019-12, Income Taxes (Topic 740). The amendments in this Update simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. The ASU amendments are effective for fiscal years beginning April 01, 2022. Early adoption of the amendments is permitted. The Group is currently in the process of evaluating the impact that adoption of this standard will have on its consolidated financial statements.

3. FINANCIAL INSTRUMENTS AND CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Group to concentration of credit risk consist principally of cash equivalents, short term deposits with banks and corporations, accounts receivables, unbilled receivables, finance lease receivables, investment securities and derivative instruments. The cash resources of the Group are invested with mutual funds, banks, financial institutions and corporations after an evaluation of the credit risk. By their nature, all such financial instruments involve risks, including the credit risk of non-performance by counterparties. In the management's opinion, as of March 31, 2019 and March 31, 2020, there was no significant risk of loss in the event of non-performance of the counterparties to these financial instruments, other than the amounts already provided for in the financial statements.

The customers of the Group are primarily corporations based in the United States of America and Europe and accordingly, accounts receivables, unbilled receivables and finance lease receivables are concentrated in the respective countries. The Group periodically assesses the financial reliability of customers, taking into account the financial condition, current economic trends, analysis of historical bad debts and ageing of accounts receivables, unbilled receivables and finance lease receivables.

Impact of COVID-19 (Global pandemic)

Accounts receivables, unbilled receivables, finance lease receivables and contract assets have been valued after making reserve for allowances based on factors like ageing, likelihood of increased credit risk and expected realizability, nature of customer verticals, considering impact of COVID – 19 on customers and related customer verticals.

4. CASH AND CASH EQUIVALENTS

The cash and cash equivalents as of March 31, 2019 and 2020 are as follows:

	March 31, 2019	March 31, 2020
Deposits with banks, having maturities less than three months	$281,638	$110,908
Other cash and bank balances	576,133	529,230
Total	**$857,771**	**$640,138**

(Amount in thousands, except per share data and as stated otherwise)

5. TRANSFER OF FINANCIAL ASSETS

The Group has revolving accounts receivable based facilities of $201,000 permitting it to sell certain accounts receivables to banks on a non-recourse basis in the normal course of business. The aggregate maximum capacity utilized by the Group at any time during the years ended March 31, 2019 and 2020 was $78,801 and $120,491, respectively. Outstanding utilization against this facility as of March 31, 2019 and 2020 is $77,658 and $63,177, respectively.

The Group has sold finance lease receivables of $13,634 and $52,094 during years ended March 31, 2019 and 2020, respectively, on non-recourse basis.

Gains or losses on the sales are recorded at the time of transfer of these receivables and are immaterial. The Group has immaterial outstanding service obligation.

6. ACQUISITIONS IN CURRENT YEAR

Acquisition of Select IBM Software products

On December 07, 2018, the Group had signed a definitive agreement to acquire business relating to select IBM software products for a consideration of $1,775,000.

The Group has acquired these products for security, marketing, commerce, and digital solutions along with certain assumed liabilities and in scope employees. With this the Group gets 100% control on the assets being acquired and has also taken full ownership of the research and development, sales, marketing, delivery and support for these products. Through this acquisition, the Group intends to enhance its products and platforms offering to customers across a wide range of industries and markets. IBM will pay the Company for the assumed liabilities as related services are rendered, based on an agreed basis, fair value of the same has been estimated at $505,630.

Acquisition has been consummated effective June 30, 2019.The Group has paid $812,500 till June 30, 2019. $812,500 is payable after one year and $150,000 is payable in three tranches of $50,000 each till July 30, 2021 subject to fulfilment of certain conditions as per agreement. These payables have been fair valued at $929,929.

The Group had earlier acquired certain intellectual property rights (Licensed IPRs) from IBM for some of these products and was carrying these licensed IPRs at an unamortized value of $427,306 as of June 30, 2019. This amount has been reduced from Licensed IPRs and included in purchase price.

The purchase price including the fair value of remaining consideration and unamortized value of Licensed IPRs of $929,929 and $427,306 respectively, is $2,169,735 and has been preliminarily allocated based on management estimates to the acquired assets and liabilities as follows:

	Amount
Recoverable from IBM (against contract liabilities)*	$505,630
Contract liabilities*	(509,630)
Property and equipment	290
Deferred tax asset, net	1,436
Customer related intangibles	919,890
Technology	351,730
Goodwill	900,389
Total purchase consideration	**$2,169,735**

(Amount in thousands, except per share data and as stated otherwise)

*Presented gross of $235,630 recoverable from IBM with a corresponding contract liability for customer contracts entered by IBM for these products with service obligation commencing after June 30, 2019.

The resultant goodwill is considered tax deductible and has been allocated to the Products & Platforms segment. This goodwill is attributable mainly to Group's ability to upgrade the products and enhance the sale of products to customers in existing business of the group and targeting new customers.

The table below shows the values and lives of intangible assets recognized on acquisition:-

	Amount	Life (Years)	Basis of amortisation
Customer related intangibles	$919,890	10	In proportion of estimated revenue
Technology	351,730	7 to 10	On straight line basis over the estimated life of the respective products
Total Intangible assets	**$1,271,620**		

Subsequent to the consummation date, the Group has received certain revised information from seller which has resulted in adjustments in the value of assets and liabilities acquired resulting into increase in intangible assets by $16,833 and net assets by $8,436 with corresponding decrease in goodwill by $18,475.

Additionally, the Group has paid first tranche of $40,079 during the year ended March 31, 2020.

The Group is in the process of making a final determination of the fair value of assets and liabilities, and evaluation of certain items relating to taxation. Finalization of the purchase price allocation may result in certain adjustments to the above allocations.

Other Acquisitions

a) On April 01, 2019, the Group, through a wholly owned subsidiary, entered into an agreement to acquire 100% shareholding of a Company in US doing business in digital transformation consulting. The acquisition will enhance Group's digital consulting offerings with their strong capabilities in digital strategy development, agile program management, business transformation and organizational change management.

The total purchase price for the acquisition is $45,005. The Group has paid $44,058 till March 31, 2020.

Total purchase consideration of $45,005 has been allocated based on management estimates to the acquired assets and liabilities as follows:

	Amount
Net working capital (including cash of $933)	$9,990
Deferred tax liabilities	(2,439)
Property and equipment	316
Customer relationship	8,200
Customer contracts	1,400
Brand	800
Goodwill	26,738
Total purchase consideration	**$45,005**

The resultant goodwill is not considered tax deductible and has been allocated to IT and Business Services segment.

(Amount in thousands, except per share data and as stated otherwise)

The table below shows the values and lives of intangible assets recognized on acquisition:

	Amount	Life (Years)
Customer relationship	$8,200	9.0
Customer contracts	1,400	1.0
Brand	800	2.0
Total Intangible assets	**$10,400**	

In addition to the purchase consideration, $5,000 is payable to certain key employees over a two-year period. Payment of this amount is in the nature of long term incentive plan to the senior managers of the operating entities that includes retention and performance based bonuses. This consideration is being accounted for as post acquisition employee compensation expense in accordance with ASC 805 on “Business combination”.

b) On October 10, 2019, the Group acquired 100% shareholding of a Company in India, which offers an integrated portfolio of services and solutions to its customers in key semiconductor domains. This acquisition offers an opportunity to combine acquiree’s analog strength with Group’s digital SOC (System on Chip) expertise to gain market share in Very Large Scale Integration design services market.

The total purchase price for the acquisition is $25,995. The Group has paid $24,822 till March 31, 2020.

Total purchase consideration of $25,995 has been preliminarily allocated based on management estimates to the acquired assets and liabilities as follows:

	Amount
Net working capital (including cash of $1,838)	$4,639
Deferred tax liabilities	(1,033)
Property and equipment	4,773
Customer relationship	4,218
Customer contracts	1,163
Brand	462
Non-Compete Agreement	252
Goodwill	11,521
Total purchase consideration	**$25,995**

The resultant goodwill is not considered tax deductible and has been allocated to Engineering and R&D services segment.

The table below shows the values and lives of intangible assets recognized on acquisition:

	Amount	Life (Years)
Customer relationship	4,218	8.5
Customer contracts	1,163	1.5
Brand	462	2.5
Non-Compete Agreement	252	3.0
Total Intangible assets	**$6,095**	

The Group is in the process of making a final determination of the fair value of assets and liabilities. Finalization of the purchase price allocation may result in certain adjustments to the above allocation.

In addition to the purchase consideration, $2,098 is payable to certain key employees over a three-year period. Payment of this amount is in the nature of long term incentive plan to the key employees of the operating entities that includes retention and performance based bonuses. This consideration is being accounted for as post acquisition employee compensation expense in accordance with ASC 805 on “Business combination”.

(Amount in thousands, except per share data and as stated otherwise)

Non-controlling interest

During the year ended March 31,2020, to meet the requirements of Broad-Based Black Economic Empowerment Act of South Africa, necessary restructuring was done and HCL entities allotted their shares to give 51.8% effective ownership in an entity in South Africa (operating entity) to trusts created for the benefit of black nationals, and consequently recorded non-controlling interest and an upfront charge of $5,576 in the consolidated statements of income.

ACQUISITIONS IN PREVIOUS YEAR

Acquisition of Actian Corporation

Through a definitive agreement entered on April 12, 2018 by the Group and Sumeru Equity Partners (SEP), to acquire Actian Corporation, through a joint venture company, the acquisition has been consummated on July 17,2018.

The Group has paid $164,000 to acquire 80.39% stake in Joint venture company and SEP has paid $40,000 to acquire 19.61% of the stake in the joint venture company and the balance purchase consideration has been funded through intercompany loan by the Group. The acquisition is part of the Group's strategy to augment its capabilities in the products & platforms business.

Total purchase consideration of $341,446 (including fair value of options $18,050) has been allocated based on management estimates to the acquired assets and liabilities as follows:

	Amount
Net working capital (including cash of $5,204)	($15,319)
Deferred tax liability	(23,812)
Property and equipment	1,453
Customer relationship	51,264
Technology	58,768
Goodwill (including fair value of options $18,050)	269,092
Total purchase consideration	**$341,446**

The resultant goodwill is not considered tax deductible and was disclosed under software services segment at the time of acquisition. During the year ended March 31, 2020, the Group has reorganized itself into three new segments (see note 29 for further information), accordingly the goodwill has been reallocated to new segments.

The table below shows the values and lives of intangible assets recognized on acquisition:

	Amount	Life (Years)
Customer relationship	$51,264	10.0
Technology	58,768	7.0
Total Intangible assets	**$110,032**	

In addition to the purchase consideration, $2,781 is payable to employee of the acquired entity in respect of unvested options, the amount payable in respect of such options is retained by acquirer and will be released upon the individual employee continuing service upto October 01, 2019.This consideration is being accounted for as post acquisition employee compensation expense in accordance with ASC 805 on "Business combination". This consideration has been paid during the current year ended March 31, 2020.

(Amount in thousands, except per share data and as stated otherwise)

As part of the joint venture agreement, SEP have contributed $40,000 in form of preferred stock qualified as “Mezzanine Equity” in accordance with ASC 480 on “Distinguishing Liabilities from Equity” in the books of joint venture company carrying 11% cumulative dividend rights with participating dividend rights, conversion rights into equity, voting rights and has a put option, after the expiry of 3 years to require the Group to repurchase all the stake owned by SEP at a price dependent upon performance of the acquiree. The Group also has a call option to purchase all stake held by SEP after the expiry of 4.5 years at a price dependent upon the performance of the acquiree.

The equity contribution by redeemable non-controlling interest of $40,000 including the value of options have been fair valued at $58,050 in the consolidated balance sheet in accordance with ASC 810 “Consolidation” and ASC 820 on “Fair value measurements”.

Subsequent to deal consummation, CEO of Actian has paid $1,000 to acquire 0.49% stake in the Joint Venture Company. Post this investment, the Group and SEP stake in the joint venture company is 80.00% and 19.51%, respectively.

During the year ended March 31, 2020, the Group has finalised purchase price allocation for this acquisition, which has resulted in increase in working capital by $5,092 with corresponding reduction in value of Goodwill from $269,092 to $264,001.

Other Acquisitions

During the year ended March 31, 2019, the Group had made other acquisitions at a total purchase price of $97,535. The Group had paid $96,589 and holdback of $946 is payable at the end of two years from the acquisition date.

Total purchase consideration of $97,535 has been allocated based on management estimates to the acquired assets and liabilities as follows:

	Amount
Net working capital (including cash of $12,257)	$57,134
Property and equipment	13,376
Goodwill	27,025
Total purchase consideration	**$97,535**

The resultant goodwill is not considered tax deductible and has been allocated to IT and Business Services segment.

In addition to the purchase consideration, $3,437 is payable to key employees over a two year period. Payment of this amount is contingent upon achieving certain specified targets and these employees continuing to be the employees of the company on the payment date. This consideration is being accounted for as post acquisition employee compensation expense in accordance with ASC 805 on “Business combination”.

(Amount in thousands, except per share data and as stated otherwise)

7. PROPERTY AND EQUIPMENT

As of March 31, 2019 and March 31, 2020, property and equipment comprises the following:

	March 31, 2019	March 31, 2020
Freehold land	$10,771	$11,826
Buildings	432,262	416,356
Computer and networking equipment	617,375	641,184
Software	189,366	197,470
Furniture, fixtures and office equipment	119,870	116,392
Plant and equipment	287,620	278,292
Vehicles	18,254	18,796
Capital work-in-progress	37,693	67,664
	1,713,211	**1,747,979**
Accumulated depreciation and amortization	(873,894)	(922,776)
Property and equipment, net	**$839,317**	**$825,204**

Computer and networking equipment includes assets taken on finance lease and represents right of use assets on finance lease of $5,413 and $3,712 as of March 31, 2019 and 2020, respectively.

Depreciation expense was $134,753, $165,276 and $193,938 for the years ended March 31, 2018, 2019 and 2020, respectively.

8. GOODWILL AND INTANGIBLES

Effective April 01, 2019, consequent to reorganization of its global operations due to technological changes and business requirements with increased focus to meet customer expectations and provide better services, the Group has reorganized itself into three segments, IT and Business Services, Engineering and R&D Services, and Products & Platforms, see note 29 for further information.

Accordingly, goodwill has been reallocated based on the relative fair value of each newly identified reporting segment. The Group tested goodwill for impairment prior to the reporting segments change and immediately thereafter, for events and conditions identified in accordance with the guidance in ASC 350, "Intangibles - Goodwill and Other." The fair value of the Group and its segments was calculated using a discounted cash flow model using estimated future cash flows. The results of our evaluation showed that the fair value of each operating segment exceeded its book value.

The following table presents the changes in goodwill based on new identified reporting segments for the year ended March 31, 2019 :

	IT and Business Services	Engineering and R&D Services	Products & Platforms	Total
Balance as at March 31, 2018	**$688,863**	**$389,967**	**$-**	**$1,078,830**
Acquisitions during the year	77,729	28,056	190,251	296,036
Effect of exchange rate changes	(27,709)	(9,826)	-	(37,535)
Balance as at March 31, 2019	**$738,883**	**$408,197**	**$190,251**	**$1,337,331**

(Amount in thousands, except per share data and as stated otherwise)

The following table presents the changes in goodwill based on new identified reporting segments for the year ended March 31, 2020 :

	IT and Business Services	Engineering and R&D Services	Products & Platforms	Total
Balance as at March 31, 2019	$738,883	$408,197	$190,251	$1,337,331
Acquisitions during the year	26,738	11,521	918,864	957,123
Measurement period adjustments	-	-	(23,567)	(23,567)
Effect of exchange rate changes	(29,147)	(7,623)	(77,922)	(114,692)
Balance as at March 31, 2020	**$736,474**	**$412,095**	**$1,007,626**	**$2,156,195**

Impact of COVID-19 (Global pandemic)

The Group tests goodwill for impairment annually, or more frequently when there is an indication for impairment. The Group has performed its annual goodwill impairment testing considering the likely impact of COVID-19 on future cash flows, discount rates, and growth rates including terminal growth rate, along with subjecting these variables to sensitivity analysis considering impacted industry verticals and geographies.

The components of intangible assets are as follows:

	31-Mar-19			31-Mar-20		
	Gross carrying amount	Accumulated amortization	Net	Gross carrying amount	Accumulated amortization	Net
Intellectual property rights	$1,041	($529)	$512	$2,115	($1,403)	$712
Technology	71,586	(16,498)	55,088	391,951	(55,099)	336,852
Customer related intangibles	221,062	(139,674)	81,388	1,064,881	(210,561)	854,320
Licensed IPRs	1,258,219	(198,573)	1,059,646	707,705	(185,356)	522,349
Assembled workforce	38,618	(13,410)	25,208	37,187	(20,502)	16,685
Customer contracts	12,745	(11,893)	852	14,675	(14,310)	365
Non-compete agreements	3,464	(3,150)	314	3,498	(3,083)	415
Brand and others	3,784	(3,784)	-	3,656	(3,302)	354
	$1,610,519	**($387,511)**	**$1,223,008**	**$2,225,668**	**($493,616)**	**$1,732,052**

Amortization expense for the years ended March 31, 2018, 2019 and 2020 is $90,400, $141,397and $205,295, respectively.

The estimated amortization expense schedule for intangible assets based on current balance is as follows:

Year ending March 31,	
2021	$265,531
2022	240,867
2023	215,163
2024	196,075
2025	184,412
Thereafter	630,004
	$1,732,052

(Amount in thousands, except per share data and as stated otherwise)

Impact of COVID-19 (Global pandemic)

The Group tests intangible assets for impairment when there is an indication for impairment. The Group has performed an evaluation of the amortization period and method for its intangible assets, along with intangible assets impairment testing considering the likely impact of COVID-19 on future cash flows and growth rates, along with subjecting these variables to sensitivity analysis considering impacted industry verticals and geographies.

9. INVESTMENTS IN AFFILIATES

Equity method investment

Morado Venture Partners II LLP

Morado Venture Partners II LLP, is a limited liability partnership "Venture Fund". During the current year, the Group has further invested $160 and had also received dividend of $199.

Equity method investment as of March 31, 2019 and 2020 is as follows:

	March 31, 2019		March 31, 2020	
Name of the Affiliate	**Carrying Value**	**Ownership Percentage**	**Carrying Value**	**Ownership Percentage**
Morado Venture Partners II LLP	$5,009	12.52%	$5,022	12.49%
	$5,009		**$5,022**	

The Group accounts for its interest in affiliate under the equity method and the gain (loss) for the years ended March 31, 2018, 2019 and 2020 are shown below:

	Year ended March 31,		
Name of the Affiliate	**2018**	**2019**	**2020**
Morado Venture Partners II LLP	$318	$580	$53
	$318	**$580**	**$53**

Arrangement with DXC

The Group had a joint venture arrangement with DXC Technology Company, which subsequently got terminated on September 30, 2017. The net amount estimated to be receivable by the Group, on winding up of the joint venture entities, as per terms of the termination agreement was shown as receivable under other current assets amounting to $7,015 and $6,065 as of March 31,2019 and March 31, 2020, respectively.

The Group accounts for its interest in affiliate under the equity method and the gain (loss) for the years ended March 31, 2018, 2019 and 2020 are shown below:

	Year ended March 31,		
Name of the Affiliate	**2018**	**2019**	**2020**
CeleritiFinTech Services Limited	$1,970	$-	$-
	$1,970	**$-**	**$-**

(Amount in thousands, except per share data and as stated otherwise)

10. VARIABLE INTEREST ENTITIES (VIEs)

In evaluating whether the Group has the power to direct the activities of a VIE that most significantly impact its economic performance, the Group considers the purpose for which the VIE was created, the importance of each of the activities in which it is engaged and decision making role, if any, in those activities that significantly determine the entity's economic performance as compared to other economic interest holders. This evaluation requires consideration of all facts and circumstances relevant to decision-making that affect the entity's future performance and the exercise of professional judgment in deciding which decision-making rights are most important.

The Group is the primary beneficiary holding 100% dividend and distribution rights in VIEs. The Group consolidates VIEs because it has the authority to manage and control the activities that significantly affect the economic performance of the VIEs.

The table below summarizes the assets and liabilities of consolidated VIEs described above.

	March 31, 2019	March 31, 2020
Current assets		
Cash and cash equivalents	$8,773	$13,539
Term deposits with banks	26,475	16,255
Accounts receivables, net	2,761	3,528
Unbilled receivables	1,730	3,366
Other current assets	4,625	8,165
Total Current Assets	**$44,364**	**$44,852**
Deferred income taxes, net	6,708	7,059
Property and equipment, net	6,063	5,690
Operating lease right-of-use assets	-	18,519
Other assets	2,641	16,279
Total Assets	**$59,776**	**$92,400**
Current liabilities		
Accounts payable	$267	$807
Accrued employee costs	1,487	1,968
Current portion of Operating leases liability	-	2,595
Other current liabilities	4,594	4,265
Total current liabilities	**$6,348**	**$9,635**
Accrued employee costs	667	1,562
Operating lease liabilities, net of current portion	-	16,785
Total liabilities	**$7,015**	**$27,982**

a) Assets and liabilities exclude all intercompany accounts and transactions, which are eliminated in consolidation.

b) For the years ended March 31, 2018, 2019 and 2020, total revenues, from VIEs were $49,748, $57,089 and $66,728, respectively (including intercompany revenues of $12, $14,421 and $34,298), respectively.

(Amount in thousands, except per share data and as stated otherwise)

11. INVESTMENT SECURITIES

Available for sale investment securities consist of the following:

As of March 31, 2019:

	Carrying value	Gross unrealized holding gains	Gross unrealized holding loss	Fair value
Mutual fund units – debt	$142,969	$828	$-	$143,797
Corporate debt securities – bonds	176,847	530	-	177,377
Total	**$319,816**	**$1,358**	**$-**	**$321,174**

As of March 31, 2020:

	Carrying value	Gross unrealized holding gains	Gross unrealized holding loss	Fair value
Mutual fund units – debt	$433,176	$2,635	$-	$435,811
Corporate debt securities – bonds	488,075	-	(295)	487,780
Total	**$921,251**	**$2,635**	**($295)**	**$923,591**

The gross unrealized holding gains (loss) have been recorded as part of other comprehensive income (loss).

The maturity profile of the investments classified as available for sale as of March 31, 2020 is set out below:

	Fair value
Less than one year	$820,569
After 1 year through 5 years	89,269
After 5 years through 10 years	13,753
	$923,591

Proceeds from the sale of available-for-sale securities during the years ended March 31, 2018, 2019 and 2020 were $2,901,091, $3,537,522 and $4,323,970, respectively.

The cost of a security sold or the amount reclassified out of ‘other comprehensive income (loss)’ into earnings was determined on investment by investment basis.

The table summarizes the transactions for available for sale securities:

	Year ended March 31,		
	2018	2019	2020
Net realised gain	$23,884	$23,435	$17,568
Reclassification into earnings on maturity out of other comprehensive income	$16,465	$14,679	$9,603

(Amount in thousands, except per share data and as stated otherwise)

12. DERIVATIVE FINANCIAL INSTRUMENTS

In the normal course of business, the Group uses derivative financial instruments to manage foreign currency exchange rate risk and interest rate risk. Derivative transactions are governed by a uniform set of policies and procedures covering areas such as authorization, counterparty exposure and hedging practices. The Group does not enter into derivative transactions for trading or speculative purposes.

As a result of the use of derivative instruments, the Group is exposed to the risk that counterparties to derivative contracts will fail to meet their contractual obligations. To mitigate the counterparty credit risk, the Group has a policy of entering into contracts only with carefully selected, nationally recognized financial institutions, based upon their credit ratings and other factors. The Group has entered into a series of foreign exchange forward contracts, options and interest rate swaps that are designated as cash flow hedges and the related forecasted transactions extend through February 2025.

The following table presents the aggregate notional principal amounts of the outstanding derivative forward covers, together with the related balance sheet exposure:

	Notional principal amounts				Balance sheet exposure Asset (Liability)	
	March 31, 2019		**March 31, 2020**		**March 31, 2019**	**March 31, 2020**
Foreign exchange forward denominated in:						
USD /INR	$680,470	(Sell)	$787,370	(Sell)	$11,117	($35,947)
GBP/ INR	£14,200	(Sell)	£40,540	(Sell)	666	258
GBP/USD	£45,250	(Sell)	£95,650	(Sell)	(9)	922
EUR / USD	€ 75,979	(Sell)	€ 57,300	(Sell)	409	242
EUR/ INR	€ 72,500	(Sell)	€ 79,000	(Sell)	6,350	3,596
AUD/INR	AUD 16,171	(Sell)	AUD 16,000	(Sell)	796	1,182
AUD/USD	AUD 5,680	(Sell)	AUD 4,250	(Sell)	11	205
SEK/INR	SEK 145,000	(Sell)	SEK 110,000	(Sell)	2,341	512
CHF/USD	CHF 18,133	(Sell)	CHF 17,391	(Sell)	21	105
CHF/ INR	CHF 20,900	(Sell)	CHF 35,500	(Sell)	1,038	(830)
MXN/USD	MXN 262,000	(Sell)	MXN 505,861	(Sell)	(11)	1,282
RUB/USD	RUB 244,000	(Sell)	RUB 290,000	(Sell)	(49)	773
NOK/USD	NOK 42,000	(Sell)	-	(Sell)	(3)	-
NOK/INR	NOK 201,000	(Sell)	NOK 60,000	(Sell)	1,965	1,077
CNY/USD	CNY 57,500	(Sell)	CNY 79,000	(Sell)	(9)	100
NZD/USD	-	(Sell)	NZD 1,551	(Sell)	-	42
PLN/USD	PLN 17,750	(Sell)	PLN 30,200	(Sell)	-	219
ZAR/USD	ZAR 92,500	(Sell)	ZAR 118,000	(Sell)	32	777
BRL/USD	BRL 36,500	(Sell)	BRL 81,000	(Sell)	(76)	2,274
JPY/USD	-	(Sell)	JPY 870,000	(Sell)	-	(22)
JPY/INR	-	(Sell)	JPY 1,910,000	(Sell)	-	(113)
CAD/INR	-	(Sell)	CAD 23,000	(Sell)	-	674
CAD/USD	CAD 29,300	(Buy)	CAD 25,500	(Buy)	(316)	(943)
SGD/USD	SGD 41,000	(Buy)	SGD 40,700	(Buy)	(87)	(388)
GBP/USD	£10,000	(Buy)	£34,000	(Buy)	89	70
EUR/USD	-	(Buy)	€ 16,500	(Buy)	-	(190)
SEK/USD	SEK 368,500	(Buy)	SEK 385,000	(Buy)	(154)	(1,527)
JPY /USD	JPY 1,500,000	(Buy)	JPY 1,590,000	(Buy)	(18)	(124)
CHF /USD	-	(Buy)	CHF 1,000	(Buy)	-	17
ZAR /USD	-	(Buy)	ZAR 35,000	(Buy)	-	18
PLN /USD	PLN 20,950	(Buy)	-	(Buy)	(58)	-
NOK /USD	NOK 84,000	(Buy)	NOK 202,000	(Buy)	110	(280)
DKK/USD	DKK 24,500	(Buy)	DKK 79,500	(Buy)	(51)	86

(Amount in thousands, except per share data and as stated otherwise)

	Notional principal amounts		Balance sheet exposure Asset (Liability)	
	March 31, 2019	**March 31, 2020**	**March 31, 2019**	**March 31, 2020**
PHP/USD	PHP 580,000 (Buy)	PHP 275,000 (Buy)	(74)	(12)
RUB/USD	RUB 14,000 (Buy)	- (Buy)	-	-
CZK/USD	CZK 111,000 (Buy)	CZK 200,100 (Buy)	(53)	(406)
			$23,977	**($26,351)**

The following table presents the aggregate notional principal amounts of the outstanding forward options together with the related balance sheet exposure:

	Notional principal amounts		Balance sheet exposure Asset (Liability)	
	March 31, 2019	**March 31, 2020**	**March 31, 2019**	**March 31, 2020**
Range Forward (Sell)				
USD/INR	$1,216,487	$637,982	$15,261	($12,645)
EUR/INR	€ 44,250	€ 36,530	3,324	412
GBP/INR	£15,500	£15,750	834	554
AUD/INR	AUD 16,950	AUD 8,500	862	418
CHF/INR	CHF 1,500	-	136	-
EUR/USD	-	€ 2,300	-	(21)
SEK/INR	SEK 15,000	SEK 15,000	151	231
Seagull (Buy)				
USD/INR	-	$143,500	-	4,275
Seagull (Sell)				
USD/INR	$7,000	-	(53)	-
EUR/USD	-	€ 8,300	-	(45)
GBP/USD	-	£6,750	-	164
PUT				
USD/INR	$14,000	-	408	-
			$20,923	**($6,657)**

The following table presents the aggregate notional principal amounts of the outstanding interest rate swaps together with the related balance sheet exposure:

	Notional principal amounts		Balance sheet exposure Asset (Liability)	
	March 31, 2019	**March 31, 2020**	**March 31, 2019**	**March 31, 2020**
Interest rate swap (floating to fixed)	$-	$255,000	$-	($7,133)
			$-	**($7,133)**

The notional amount is a key element of derivative financial instrument agreements. However, notional amounts do not represent the amount exchanged by counterparties and do not measure the Group's exposure to credit risk as these contracts are settled at their fair values at the maturity date.

The balance sheet exposure denotes the fair value of these contracts at the reporting date and is presented in US Dollars.

(Amount in thousands, except per share data and as stated otherwise)

The Group presents its foreign exchange derivative instruments on a net basis in the consolidated financial statements due to the right of offset by its individual counterparties under master netting agreements.

The fair value of the derivative instruments presented on a gross basis as of each date indicated below is as follows:

March 31, 2019

	Other current assets	Other assets	Other current liabilities	Other liabilities	Total fair value
Derivatives designated as hedging instruments:					
Foreign exchange contracts in an asset position	$20,531	$16,368	$1,404	$1,418	$39,721
Foreign exchange contracts in a liability position	(1,404)	(1,418)	(1,404)	(1,474)	(5,700)
Net asset (liability)	**$19,127**	**$14,950**	**$0**	**($56)**	**$34,021**
Derivatives not designated as hedging instruments:					
Foreign exchange contracts in an asset position	$13,283	$-	$1,772	$-	$15,055
Foreign exchange contracts in a liability position	(1,772)	-	(2,404)	-	(4,176)
Net asset (liability)	**$11,511**	**$-**	**($632)**	**$-**	**$10,879**
Total Derivatives at fair value	**$30,638**	**$14,950**	**($632)**	**($56)**	**$44,900**

March 31, 2020

	Other current assets	Other assets	Other current liabilities	Other liabilities	Total fair value
Derivatives designated as hedging instruments:					
Foreign exchange contracts in an asset position	$7,455	$2,908	$7,227	$2,908	$20,498
Foreign exchange contracts in a liability position	(7,227)	(2,908)	(23,397)	(26,317)	(59,849)
Interest rate swap contracts in a liability position	-	-	(1,678)	(5,455)	(7,133)
Net asset (liability)	**$228**	**$-**	**($17,848)**	**($28,864)**	**($46,484)**
Derivatives not designated as hedging instruments:					
Foreign exchange contracts in an asset position	$12,568	$-	$3,911	$-	$16,479
Foreign exchange contracts in a liability position	(3,911)	-	(6,225)	-	(10,136)
Net asset (liability)	**$8,657**	**$-**	**($2,314)**	**$-**	**$6,343**
Total Derivatives at fair value	**$8,885**	**$-**	**($20,162)**	**($28,864)**	**($40,141)**

(Amount in thousands, except per share data and as stated otherwise)

The following tables set forth the fair value of derivative instruments included in the consolidated balance sheets as on March 31, 2019 and March 31, 2020:

Derivatives designated as hedging instruments:

	March 31, 2019	March 31, 2020
Unrealized gain on financial instruments classified under current assets	$19,127	$228
Unrealized gain on financial instruments classified under non current assets	14,950	-
Unrealized loss on financial instruments classified under current liabilities	-	(17,848)
Unrealized loss on financial instruments classified under non-current liabilities	(56)	(28,864)
	$34,021	**($46,484)**

Derivatives not designated as hedging instruments:

	March 31, 2019	March 31, 2020
Unrealized gain on financial instruments classified under current assets	$11,511	$8,657
Unrealized loss on financial instruments classified under current liabilities	(632)	(2,314)
	$10,879	**$6,343**

The following tables summarize the activities in other comprehensive income (loss) ('OCI') and their effects on financial performance during the year ended March 31, 2018.

Derivatives in cash flow hedging relationships	Amount of gain or (loss) recognized in OCI on derivatives (Effective portion)	Location of gain or (loss) reclassified from OCI into statement of income (Effective portion)	Amount of gain or (loss) reclassified from OCI into statement of income (Effective portion)	Location of gain or (loss) recognized in income on derivatives (Ineffective portion and amount excluded from effectiveness testing)	Amount of gain or (loss) recognized in income on derivatives (Ineffective portion and amount excluded from effectiveness testing)
Foreign exchange contracts	$20,952	Other income (expense),net	$80,336	Other income (expense),net	Nil
	$20,952		**$80,336**		**Nil**

Derivatives not designated as hedging	Location of gain or (loss) recognized in income on derivatives	Amount of gain or (loss) recognized in income on derivatives
Foreign exchange contracts	Other income (expense),net	$2,156

(Amount in thousands, except per share data and as stated otherwise)

The following tables summarize the activities in other comprehensive income (loss) ('OCI') and their effects on financial performance during the year ended March 31, 2019

Derivatives in cash flow hedging relationships	Amount of gain or (loss) recognized in OCI on derivatives (Effective portion)	Location of gain or (loss) reclassified from OCI into statement of income (Effective portion)	Amount of gain or (loss) reclassified from OCI into statement of income (Effective portion)	Location of gain or (loss) recognized in income on derivatives (Ineffective portion and amount excluded from effectiveness testing)	Amount of gain or (loss) recognized in income on derivatives (Ineffective portion and amount excluded from effectiveness testing)
Foreign exchange contracts	$11,868	Other income (expense),net	$6,418	Other income (expense),net	Nil
	$11,868		**$6,418**		**Nil**

Derivatives not designated as hedging	Location of gain or (loss) recognized in income on derivatives	Amount of gain or (loss) recognized in income on derivatives
Foreign exchange contracts	Other income (expense),net	$642

The following tables summarize the activities in other comprehensive income (loss) ('OCI') and their effects on financial performance during the year ended March 31, 2020.

Derivatives in hedging relationships	Amount of gain or (loss) recognized in OCI on derivatives (Effective portion)	Location of gain or (loss) reclassified from OCI into statement of income (Effective portion)	Amount of gain or (loss) reclassified from OCI into statement of income (Effective portion)	Location of gain or (loss) recognized in income on derivatives (Ineffective portion and amount excluded from effectiveness testing)	Amount of gain or (loss) recognized in income on derivatives (Ineffective portion and amount excluded from effectiveness testing)
Foreign exchange contracts	($51,193)	Other Income (Expense),net	$18,369	Other Income (Expense),net	Nil
Interest rate swap contracts	($6,612)	Finance cost	605	Finance cost	Nil
	($57,805)		**$18,974**		**Nil**

Derivatives not designated as hedging	Location of gain or (loss) recognized in income on derivatives	Amount of gain or (loss) recognized in income on derivatives
Foreign exchange contracts	Other income (expense),net	$3,052

(Amount in thousands, except per share data and as stated otherwise)

The following table summarizes the activity in 'Other comprehensive income (loss)' within equity related to all derivatives classified as cash flow hedges for the year ended March 31, 2018, 2019 and 2020, respectively:

	Year ended March 31,		
	2018	**2019**	**2020**
Balance as at the beginning of the year (before tax)	$85,796	$26,017	$29,986
Unrealized gain (loss) on cash flow hedging derivatives during the year	20,952	11,868	(57,805)
Net loss (gain) reclassified into statement of income on occurrence of hedged transactions	(80,336)	(6,418)	(18,974)
Effect of exchange rate fluctuations	(395)	(1,481)	(2,597)
Balance as at the end of the year (before tax)	**$26,017**	**$29,986**	**($49,390)**
Tax (expense) benefit	(5,059)	(5,276)	8,845
	$20,958	**$24,710**	**($40,545)**

As of March 31, 2020, the estimated net amount of existing loss that is expected to be reclassified into the income statement from OCI within the next twelve months is ($20,207).

Impact of COVID-19 (Global pandemic)

Basis the Group hedging policy, management has performed assessment of COVID- 19 pandemic's impact for any change in probability of occurrence of the forecasted transactions, counter party credit risk and own credit risk, and believes that there is no impact on effectiveness of its hedges.

13. INVENTORY

As of March 31, 2019 and 2020, Inventory comprises the following:

	March 31, 2019	**March 31, 2020**
Finished goods	$13,142	$12,080
	$13,142	**$12,080**

(Amount in thousands, except per share data and as stated otherwise)

14. OTHER CURRENT ASSETS

As of March 31, 2019 and March 31, 2020, other current assets comprise the following:

	March 31, 2019	March 31, 2020
Prepaid expenses	$146,115	$151,552
Prepaid rentals for leasehold land {refer note on 2(t)}	535	-
Interest receivable	13,598	33,418
Prepaid/advance taxes	18,524	20,761
Deposits	11,563	14,935
Deferred contract cost	57,625	73,883
Contract assets	60,778	69,638
Employee receivables	7,759	5,224
Derivative financial instruments	30,638	8,885
Advance to suppliers	12,476	17,308
Finance lease receivable	80,203	94,092
Restricted cash	1,482	1,382
Recoverable from IBM (against Contract liabilities)	-	131,607
Others	83,196	62,991
	$524,492	**$685,676**

15. OTHER ASSETS

As of March 31, 2019 and March 31, 2020, other assets comprise the following:

	March 31, 2019	March 31, 2020
Security deposits	$31,960	$33,717
Deferred contract cost	120,448	171,356
Unbilled receivables	16,114	158,449
Prepaid expenses	58,890	49,941
Prepaid rentals for leasehold land {refer note on 2(t)}	40,714	-
Derivative financial instruments	14,950	-
Finance lease receivable	123,031	131,378
Contract assets	2,227	-
Recoverable from IBM (against Contract liabilities)	-	2,890
Restricted cash	19	132
Others	612	442
	$408,965	**$548,305**

(Amount in thousands, except per share data and as stated otherwise)

16. ALLOWANCES FOR ACCOUNTS RECEIVABLE

The Group maintains an allowance for uncollectible receivables based on the trade receivables at the end of the year. Factors considered by the management in determining the adequacy of the allowance include the present and prospective financial condition of the debtor, the ageing of the trade receivables and any other relevant factors.

The movement in allowance for accounts receivable is given below:

	March 31, 2019	March 31, 2020
Balance at the beginning of the year	$44,659	$44,764
Additional provision during the year	19,253	39,630
Deductions on account of write offs and collections	(17,295)	(16,103)
Other adjustment	-	5,942
Effect of exchange rates changes	(1,853)	(3,645)
Balance at the end of the year	**$44,764**	**$70,588**

17. DEBTS

SHORT TERM BORROWINGS

The Group has availed unsecured short term loan amounting to $100,000 and $99,999 as of March 31, 2019 and March 31, 2020 at effective interest of 2.6% and 1.72%, respectively.

The Group has availed an unsecured bank line of credit from its bankers amounting to $4,676 and $143,771 as of March 31, 2019 and March 31, 2020, respectively, at effective interest rates ranging from 1.0% to 6.9% , respectively.

LONG TERM DEBT

	March 31, 2019	March 31, 2020
From banks	$470,745	$428,771
Other	1,299	406
Less: Current portion	(56,209)	(52,795)
	$415,835	**$376,382**

The scheduled principal repayments are as follows:

	March 31, 2020
Within one year	$52,795
One to two years	37,893
Two to three years	319,016
Three to five years	19,473
	$429,177

The Group’s borrowings are subject to certain financial and non financial covenants. At March 31, 2020, the Group was in compliance with all such covenants.

(Amount in thousands, except per share data and as stated otherwise)

Long term debts from banks include:

Unsecured long term loans of $463,510 and $422,071 as of March 31, 2019 and March 31, 2020, respectively, at effective interest rates of 0.9% to 7.9%.

Term loans of $7,235 and $6,700 as of March 31, 2019 and March 31, 2020, respectively, at effective interest rates of 8.5% to 9.7% and secured by hypothecation of vehicles with a gross book value of $16,529 and $17,067 as of March 31, 2019 and March 31, 2020, respectively.

Other long term debts include:

Unsecured long term loans from a vendor of $1,299 and $406 as of March 31, 2019 and March 31, 2020, respectively, at nil interest.

18. OTHER CURRENT LIABILITIES

As of March 31, 2019 and March 31, 2020, other current liabilities comprise the following:

	March 31, 2019	March 31, 2020
Advances from customers	$498	$33,288
Sales tax and other taxes payable	108,586	123,471
Accrued liabilities and expenses	409,146	464,137
Supplier's credit*	97,239	60,266
Due to related parties	4,419	2,999
Derivative financial instruments	632	20,162
Deferred consideration (including contingent consideration)	1,327	857,917
Others	32,852	33,873
	$654,699	**$1,596,113**

* The Group has negotiated extended interest bearing credit terms with certain vendors for extended payment terms up to 360 days. Interest rate on this arrangement ranges from 1.5% to 9.8%.

19. OTHER LIABILITIES

As of March 31, 2019 and March 31, 2020, other liabilities comprise the following:

	March 31, 2019	March 31, 2020
Accrued liabilities and expenses	$4,867	$3,746
Derivative financial instruments	56	28,864
Deferred consideration (including contingent consideration)	1,784	48,296
Others	24,639	12,388
	$31,346	**$93,294**

20. EQUITY SHARES

The Company has only one class of capital stock referred to herein as equity shares. Par value of each equity share outstanding as of March 31, 2020 is $0.03 (` 2.00).

Voting

Each holder of equity shares is entitled to one vote per share.

Dividends

Dividends declared and paid by the Company are in Indian Rupees. Dividends payable to equity stockholders are based on the net income available for distribution as reported in the standalone financial statements of the Company prepared in accordance with Indian Accounting Standards. Indian law on foreign exchange governs the remittance of dividends outside India. Such dividend payments are subject to applicable taxes.

Bonus Issue

During the year ended March 31, 2020, pursuant to the approval of the shareholders through postal ballot (including remote e-voting), the Company has allotted 1,356,832,548 bonus shares of ` 2/- each fully paid-up on December 10, 2019 in the proportion of 1 equity share for every 1 equity share of ` 2/- each held by the equity shareholders of the Company as on the record date of December 07, 2019. Consequently, the Company capitalized an amount of $38,029 from its retained earnings (other unappropriated reserves) to common stock. All references in the financial statements to number of shares, stock option data, have been retroactively restated to reflect the bonus issue unless otherwise noted.

Buyback

During the year ended March 31, 2019, the Company has completed the share buyback by extinguishing 36,363,636 fully paid-up equity shares of face value of ₹ 2/- each at a price of ₹ 1,100/- per share paid in cash for an aggregate consideration of $540,879 (₹ 40,000 million). Same has been recorded as reduction of equity share capital by $983 (₹ 73 million), additional paid-in capital (APIC) by $331 (₹ 29 million) and Retained earnings by $539,565 (₹ 39,898 million).

The expenses of $1,603 (₹ 118 million) relating to buyback have been adjusted against retained earnings.

During the year ended March 31, 2018, the Company has carried out the share buyback of 35,000,000 fully paid-up equity shares of face value of ₹ 2/- each at a price of ₹ 1,000/- per share paid in cash for an aggregate consideration of $545,157 (₹ 35,000 million). Same has been recorded as reduction of equity share capital by $1,090 (₹ 70 million), additional paid-in capital (APIC) by $504,853 (₹ 32,412 million) and Retained earnings by $39,214 (₹ 2,518 million).

The expenses of $2,193 (₹ 143 million) relating to buyback have been adjusted against retained earnings

Liquidation

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

Stock options

There are no voting, dividend or liquidation rights to the option holders under the Company's stock option plans.

(Amount in thousands, except per share data and as stated otherwise)

21. OTHER INCOME (EXPENSES), NET

For the years ended March 31, 2018, 2019 and 2020, other income (expenses), net consist of:

	Year ended March 31,		
	2018	**2019**	**2020**
Interest income	$71,790	$80,918	$63,045
Gain on sale of investment securities and other investments, net	23,884	23,435	17,690
Provision for impairment of other investments	-	-	(4,194)
Foreign exchange gain (loss), net	83,481	25,936	(1,857)
Equity in earning of affiliates	2,288	580	53
Gain (loss) on sale of property and equipment	228	402	(58)
Miscellaneous income	869	3,788	1,888
Other income, net	**$182,540**	**$135,059**	**$76,567**

22. INCOME TAXES

Entities in the Group file tax returns in their respective tax jurisdictions.

The Group's provisions (benefit) for income taxes consist of the following:

	Year ended March 31,		
	2018	**2019**	**2020**
Current taxes			
Indian taxes	$294,799	$284,509	$264,409
Foreign taxes	74,762	156,323	133,305
	$369,561	**$440,832**	**$397,714**
Deferred taxes			
Indian taxes	($26,145)	($87,803)	$34,366
Foreign taxes	15,627	1,303	(19,417)
	($10,518)	**($86,500)**	**$14,949**
Total taxes	**$359,043**	**$354,332**	**$412,663**

(Amount in thousands, except per share data and as stated otherwise)

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

	Year ended March 31,		
	2018	**2019**	**2020**
Income before taxes, equity in earnings of affiliates and noncontrolling interest	$1,719,514	$1,798,141	$1,970,807
Enacted tax rate in India	34.61%	34.94%	34.94%
Expected tax expense	595,090	628,351	688,679
Non-taxable export income	(219,804)	(224,398)	(263,083)
Non-taxable other income	(863)	(5,234)	(4,570)
Additional provision created in books	3,689	-	-
Reversal of prior year provision	(11,586)	(27,509)	(25,658)
Differences between India and foreign tax rates	(6,319)	(25,241)	(31,882)
Amortization of goodwill and intangibles on acquisition of certain software products from IBM relating to tax exempt units	-	-	37,114
Reversal of deferred tax liabilities due to change in tax rate in India	-	-	(4,494)
Reduction in deferred tax assets due to change in US federal tax rate	9,510	-	-
Increase (decrease) in valuation allowance	(17,315)	-	2,705
Provision for deemed branch taxes	677	-	-
Others	5,964	8,363	13,852
Total taxes	**$359,043**	**$354,332**	**$412,663**

In India, the company has benefited from certain tax incentives that the Government of India has provided to Units situated in Special Economic Zones (SEZs) under the Special Economic Zone Act, 2005, which began providing services on or after April 1, 2005. The Units are eligible for a deduction of 100% of profits or gains derived from the export of services for the first five years from commencement of provision of services and 50% of such profits and gains for a further five years. Certain tax benefits are also available for a further five years subject to the Unit meeting defined conditions. The aforesaid tax benefits will not be available to units commencing operations after June 30, 2020.

Income tax charged to equity for the years ended March 31, 2018, 2019 and 2020, is as follows:

	Year ended March 31,		
	2018	**2019**	**2020**
Income tax from continuing operations	$359,043	$354,332	$412,663
Stockholder's equity for:-			
Tax benefits received on exercise of employee stock options reflected as part of additional paid in capital	(997)	-	-
Unrealized holding (loss) gain on available for sale investment securities	218	(151)	309
Unrealized loss (gain) on cash flow hedge	(12,120)	217	(14,121)
Unrealized actuarial loss (gain) on defined benefit plan	361	900	(2,490)
Effect of exchange rate fluctuations	1,875	13,927	27,614
	$348,380	**$369,225**	**$423,975**

(Amount in thousands, except per share data and as stated otherwise)

In India, the Company is subject to Minimum Alternate Tax (MAT) on its book profit, which gives rise to future economic benefits in the form of adjustment of future income tax liability. MAT paid for a year can be set-off against the normal tax liability within fifteen subsequent years, expiring over the financial years between 2023 to 2035.

Beginning with current year, corporate taxpayers can opt for a specified lower tax rate in lieu of current applicable tax rate subject to taxpayers not claiming any specified tax incentives including tax incentives available to special economic zone units and carryover of unutilized MAT credit. The Company intends to opt for lower tax rate from the year by when the Company is expected to utilize the entire unutilized MAT credit. The Company has restated its deferred tax liabilities/ assets balances which are expected to reverse in the period after the Company opts for the lower corporate tax rate.

The tax returns are subject to examination by the tax authorities in the jurisdictions where the Group conducts business. The examination may result in assessment of additional taxes that are resolved with the authorities or through legal proceedings. Resolution of these matters involves some degree of uncertainty; accordingly, the Group recognizes income tax liability that it believes will ultimately result from the proceedings.

A reconciliation of the beginning and ending balance of unrecognized tax benefits is as follows:

	March 31, 2019	**March 31, 2020**
Balance at the beginning of the year	$94,091	138,524
Increase due to tax position taken during the current year	33,311	-
Increase due to tax position taken during the prior year	13,897	6,152
Increase in tax position due to acquisition during the year	2,500	-
Effect of exchange rate fluctuations	(5,275)	(11,782)
Balance at the end of the year	**$138,524**	**$132,894**

The unrecognized tax benefits, if recognized, would affect the Group’s effective tax rate. Significant changes in the amount of unrecognized tax benefits within the next 12 months cannot be reasonably estimated as the changes would depend upon the progress of tax proceedings with various tax authorities.

Income tax expense includes penalties and interest related to income tax. As of March 31, 2019 and 2020, income tax payable includes $22,154 and $21,766, respectively, on account of accrued interest and penalties related to uncertain tax positions.

The Group’s two major tax jurisdictions are India and USA. The tax examination is open in India for annual year beginning April 01, 2016 onwards and in USA for annual year beginning April 01, 2016 onwards.

(Amount in thousands, except per share data and as stated otherwise)

The components of the deferred tax balances as of March 31, 2019 and 2020 are as follows:

	March 31, 2019	March 31, 2020
Deferred tax assets:		
Business losses (foreign)	$12,471	$17,615
Allowance for accounts receivable	13,259	16,299
Accrued employee costs	66,292	79,404
Property and equipment	3,968	6,235
Minimum alternate tax	289,846	309,609
Employee stock compensation	187	-
Unrealized loss on derivative financial instruments	-	8,845
Leased assets	3,379	3,742
Other temporary differences	27,898	25,233
	417,300	**466,982**
Less: Valuation allowance	(6,431)	(11,449)
Total deferred tax assets	**$410,869**	**$455,533**
Deferred tax liabilities:		
Unrealized gains on investment securities	$457	726
Unrealized gain on derivative financial instruments	5,276	-
Goodwill and Intangibles	38,609	133,691
Property and equipment	28,459	20,837
Others	20,713	10,971
Total deferred tax liabilities	**$93,514**	**$166,225**
Net deferred tax assets	**$317,355**	**$289,308**

Above table represent the gross deferred tax assets and liabilities. Amounts of deferred tax assets and liabilities presented in statement of consolidated balance sheets have been offset, wherever the Group has legally enforceable right and it is related to same taxable authority.

The components of valuation allowance as of March 31, 2019 and 2020 are as follows:

	March 31, 2019	March 31, 2020
Business losses (Foreign)	($6,431)	($10,090)
Others (Indian)	$-	($1,359)

In assessing the realizability of deferred tax assets, the management considers whether it is more likely than not, that some portion, or all, of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. The management considers the projected future taxable income and tax planning strategies in making this assessment. Based on the level of historical taxable income and its tax planning strategies, including projections for future taxable income over the periods in which the deferred tax assets are deductible, the management believes that it is more likely than not that the Group will realize the benefits of those deductible differences, net of existing valuation allowances. The amount of the deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced.

(Amount in thousands, except per share data and as stated otherwise)

Business losses carried forward of certain subsidiaries of the Group for tax purposes amount to approximately $50,436 and $91,793 as of March 31, 2019 and 2020, respectively, and are available as an offset against future taxable income expiring at various dates through 2032.

The management is of the opinion that it is less likely that all of these subsidiaries would be in a position to realize the tax benefits associated with business losses carried forward. Given the uncertainties, a valuation allowance has been created against such business losses for those subsidiaries.

During the year ended March 31, 2018, the US and Europe based subsidiary of the Group received excess tax benefit aggregating $997 upon exercise of employee stock options which was recognized in equity and $891 and $758 for the year ended March 31, 2019 and 2020 respectively, was recognized in income tax expense in consolidated statements of income.

Undistributed earnings of subsidiaries aggregate approximately $1,478,950 and $1,690,016 as of March 31, 2019 and 2020, respectively. The Group has the intent to reinvest the undistributed foreign earnings indefinitely in its significant overseas operations and consequently did not record a deferred tax liability on the undistributed earnings.

23. EARNINGS PER SHARE

The following is the reconciliation of the weighted average number of equity shares used in the computation of basic and diluted earnings per equity share (EPS):

	Year ended March 31,		
	2018	**2019**	**2020**
Weighted average number of equity shares outstanding used in computing basic EPS	2,802,699,471	2,750,726,403	2,713,085,729
Dilutive effect of stock options	1,719,644	988,540	579,367
Weighted average number of equity and equity equivalent shares outstanding used in computing diluted EPS	2,804,419,115	2,751,714,943	2,713,665,096

For the years ended March 31, 2018, 2019 and 2020, there were no options respectively to purchase equity shares of common stock with exercise price greater than the average market value of our stock that would have been anti-dilutive.

24. STOCK BASED COMPENSATION

ESOP 2004 (the "2004 Plan"): In December 2004, the Company instituted the 2004 Stock Option Plan to provide equity-based incentives to all eligible employees and directors of the Company and its subsidiaries. The 2004 Plan is administered by the Nomination and Remuneration Committee of the Company. The 2004 Plan provides for the issuance of a maximum of 160,000,000 underlying shares at the option price determined by the Nomination and Remuneration Committee on the date the option is granted. Each option granted under the above plan entitles the holder to eight equity shares of the Company at an exercise price, which is approved by the Nomination and Remuneration Committee. The above plan closed on December 17, 2019.

(Amount in thousands, except per share data and as stated otherwise)

Changes in number of shares representing the outstanding stock options during the year ended March 31, 2018, 2019 and 2020 are given below:

	Shares arising out of option 2004 plan March 31			Weighted average exercise price 2004 Plan March 31			Weighted average remaining contractual term (in year) 2004 Plan March 31			Aggregate Intrinsic Value 2004 Plan March 31		
	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020
Outstanding at beginning of the year	1,471,320	989,160	553,680	$0.03	$0.03	$0.03	2.46	1.38	0.5	$19,793	$14,670	$8,696
Granted	-	-	-	-	-	-	-	-	-	-	-	-
Forfeited	(19,200)	(38,400)	-	$0.03	$0.03	-	-	-	-	-	-	-
Expired	-	(960)	-	$0.03	$0.03	-	-	-	-	-	-	-
Exercised	(462,960)	(396,120)	(553,680)	$0.03	$0.03	$0.03	-	-	-	-	-	-
Outstanding at the end of the year	989,160	553,680	-	$0.03	$0.03	-	1.38	0.50	-	$14,670	$8,696	-
Vested and exercisable at the end of the year	950,760	553,680	-	$0.03	$0.03	-	1.37	0.50	-	$14,100	$8,696	-
Weighted-average grant date fair value of grants during the year	-	-	-	-	-	-	-	-	-	-	-	-
Estimated fair value of option vested during the year	-	-	-	-	-	-	-	-	-	-	-	-
Vested and exercisable at the end of year and expected to vest thereafter	985,584	553,680	-	$0.03	$0.03	-	1.37	0.50	-	$14,616	$8,696	-

Total number of outstanding options for the 2004 Plan includes 123,645, 69,210 and Nil performance based options as of March 31, 2018, 2019 and 2020, respectively.

(Amount in thousands, except per share data and as stated otherwise)

The following table summarizes information about stock options outstanding and exercisable as of March 31, 2018:

	Outstanding			Exercisable	
Range of exercise price	**Number of shares arising out of options**	**Weighted average remaining contractual life(years)**	**Weighted average exercise price**	**Number of shares arising out of Options**	**Weighted average exercise price**
2004 Plan					
($0.00- $0.03)	989,160	1.38	$0.03	950,760	$0.03

The following table summarizes information about stock options outstanding and exercisable as of March 31, 2019:

	Outstanding			Exercisable	
Range of exercise price	**Number of shares arising out of options**	**Weighted average remaining contractual life(years)**	**Weighted average exercise price**	**Number of shares arising out of Options**	**Weighted average exercise price**
2004 Plan					
($0.00- $0.03)	553,680	0.50	$0.03	553,680	$0.03

As of March 31, 2018, 2019 and 2020, options for 78,880, 37,760 and Nil shares, respectively, under the 2004 Plan, were pending allotment.

(Amount in thousands, except per share data and as stated otherwise)

The following table summarizes information concerning stock options issued that are vested or are expected to vest and stock options exercisable as of March 31, 2018:

	Option vested or expected to vest		
Range of exercise price	**Number of shares arising out of options**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price**
2004 Plan			
($0.00-$0.03)	985,584	1.38	$0.03

The following table summarizes information concerning stock options issued that are vested or are expected to vest and stock options exercisable as of March 31, 2019:

	Option vested or expected to vest		
Range of exercise price	**Number of shares arising out of options**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price**
2004 Plan			
($0.00-$0.03)	553,680	0.50	$0.03

(Amount in thousands, except per share data and as stated otherwise)

There are no options granted during year ended March 31, 2018, 2019 and 2020.

Cash received from options exercised under the stock option plan for the years ended March 31, 2018, 2019 and 2020, was $14, $11 and $15, respectively.

The tax benefit on account of compensation cost of stock options exercised in United States of America, Great Britain, Netherlands and Germany aggregated $1,002, $891 and $758 for the year ended March 31, 2018, 2019 and 2020, respectively.

25. EMPLOYEE BENEFIT PLANS

India operations

The Group has employee benefit plans in the form of certain statutory and welfare schemes covering substantially all of its employees.

Defined benefit Plan

Gratuity

In accordance with the Indian law, the Group provides for gratuity, a defined benefit retirement plan (the “Gratuity Plan”) covering all employees in India. The Gratuity Plan provides a lump sum payment to vested employees at retirement or termination of employment of an amount based on the respective employee’s base salary and tenure of employment subject to a maximum of $26 (` 2,000,000/-).

The reconciliation of the beginning and ending balance of the projected benefit obligation and the fair value of plan assets for the years ended March 31, 2019 and 2020, and the accumulated benefit obligation as of March 31, 2019 and 2020 is as follows:

	March 31, 2019	March 31, 2020
Change in benefit obligation		
Obligation at the beginning of the year	$61,141	$64,847
Service cost	11,251	12,352
Interest cost	4,991	6,264
Benefits paid	(4,598)	(6,580)
Actuarial gain	(4,937)	7,012
Addition on account of acquisition	126	628
Foreign currency translation	(3,127)	(6,147)
Obligation at the end of the year	**$64,847**	**$78,376**
Changes in plan assets		
Fair value of plan assets at the beginning of the year	$2,210	$2,830
Actual return on plan assets	72	$147
Addition on account of acquisition	126	-
Employer contributions	3,724	5,985
Benefits paid	(3,430)	(5,958)
Foreign currency exchange rate changes	128	228
Plan assets at the end of the year	**$2,830**	**$3,232**

(Amount in thousands, except per share data and as stated otherwise)

	March 31, 2019	March 31, 2020
Funded status	$2,830	$3,232
Net amount recognized	(64,847)	(78,376)
Accrued benefit obligation	**($62,017)**	**($75,144)**

	March 31, 2019	March 31, 2020
Benefit obligation current	$11,607	$10,068
Benefit obligation Non-current	$50,410	$65,076
Accumulated benefit obligation	**$62,017**	**$75,144**

	March 31, 2019	March 31, 2020
Net actuarial loss	$9,523	$3,591
Net prior service cost	(1,236)	(1,181)
Total accumulated other comprehensive loss	**$8,287**	**$2,410**

Net gratuity cost for the year ended March 31, 2018, 2019 and 2020, comprise of the following components:

	Year ended March 31,		
	2018	2019	2020
Service cost	$11,007	$11,251	$12,352
Interest cost (net)	4,329	4,838	6,264
Amortization of unrecognized actuarial loss (gain)	-	(117)	(420)
Net gratuity cost	**$15,336**	**$15,972**	**$18,196**

The weighted average actuarial assumptions used in accounting for the benefit obligations and net gratuity cost under the Gratuity Plan for the year ended March 31, 2018, 2019 and 2020, respectively, are given below:

	Year ended March 31,		
	2018	2019	2020
Discount rate	8.00%	8.50%	7.60%
Expected rate of increase in salaries			
-for next year	7.0%	7.0%	8.0%
-thereafter	7.0%	7.0%	8.0%
Expected rate of return on assets	7.5%	7.5%	7.5%

Discount rates are based on the current market yield on government securities adjusted for a suitable risk premium to reflect the additional risk for high quality bonds. The Group assesses these assumptions with its projected long-term plans of growth and prevalent industry standards. The mortality rates used are as published by one of the leading life insurance companies in India.

(Amount in thousands, except per share data and as stated otherwise)

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid during:

Year ending March 31,	
- 2021	$11,758
- 2022	12,485
- 2023	14,010
- 2024	16,935
- 2025	17,959
Thereafter	95,080
Total	**$168,227**

The expected benefits are based on the same assumptions as are used to measure the Group's benefit obligations as of March 31, 2020.

Provident fund

In accordance with Indian law, all employees of Indian entities receive benefits from a provident fund, which is a defined benefit plan. Under this plan, the employer and employee make monthly contributions to a fund managed by certain employees of the Group ("Trust"). The employees contribute 12% of their basic compensation, which is matched by an equal contribution by the employer. The Group contributes two-third of the contribution to the Government administered pension fund subject to a maximum of $0.02 (`1,250/-) and the remaining portion is contributed to the Trust. The rate at which the annual interest is payable to the beneficiaries by the Trust is administered by the government. The Group has an obligation to fund any shortfall on the yield of the Trust's investments over the administered interest rates. The funds contributed to the Trust are invested in specific securities as mandated by law and generally consist of federal and state government bonds, debt instruments of government-owned corporations, equity and other eligible market securities.

The actuary has provided a valuation for provident fund liabilities on the basis of guidance issued by Actuarial Society of India based on the assumption mentioned below and there is no shortfall as at 31 March, 2019.

The details of the fund and plan asset position are given below: -

	March 31, 2019	March 31,2020
Fair value of plan assets at the year end	$503,112	$542,512
Present value of benefit obligation at year end	503,112	547,932
Net liability recognized in balance sheet (1)	**$-**	**($5,420)**

(1) Amount recognized in the other comprehensive income.

Assumptions used in determining the present value obligation of the interest rate guarantee under the deterministic approach:

	March 31, 2019	March 31,2020
Government of India (GOI) bond yield	8.50%	7.60%
Remaining term of maturity	8.00 Years	8.00 Years
Expected guaranteed interest rate	8.65%	8.50%

(Amount in thousands, except per share data and as stated otherwise)

Total contributions made by the Group in respect of this plan for the years ended March 31, 2018, 2019 and 2020 are $19,239, $20,553 and $26,079, respectively.

Total contributions made by the Group towards Employees' Pension Scheme for the years ended March 31, 2018, 2019 and 2020 are $15,355, $15,486 and $18,834 respectively.

Defined Contribution Plan

Superannuation

In respect to superannuation, a defined contribution plan for eligible employees who contribute to a recognized Trust under schedule IV, Part B of Income Tax 1961, Trust funds are administered on its behalf by appointed fund manager and such contributions for each year of service rendered by the employees are charged to the consolidated statements of income. The Group has no further obligations to the superannuation plan beyond its contributions. Total contributions made in respect of this plan for the years ended March 31, 2018, 2019 and 2020 are $438, $547and $929, respectively.

Others

Total contributions made by the Group in respect of other foreign defined contribution plans for the years ended March 31, 2018, 2019 and 2020 are $69,514, $73,891 and $86,896, respectively.

26. RELATED PARTY TRANSACTIONS

The Company has entered into transactions with the following related parties:

a. Companies in which 'the Principal shareholder', or any other director has controlling interest or over which they exercise significant influence (significant interest entities);
b. Affiliates of the Company and their subsidiaries (affiliates); and
c. Employees of the Group.

The related party transactions are categorized as follows:

Revenues

The Group earns revenue from rendering software development and other services to related parties. The related parties to whom these services were provided and the corresponding amounts of revenue earned are as follows:

	Year ended March 31,		
	2018	**2019**	**2020**
Significant interest entities	$2,503	$3,911	$1,867
Total	**$2,503**	**$3,911**	**$1,867**

Cost of revenues and selling, general and administrative expenses

The Group outsources certain contracts to related parties and also procures personnel and licenses from them for software development and other services. These costs are recorded as part of cost of revenues and selling, general and administrative expenses.

(Amount in thousands, except per share data and as stated otherwise)

The related parties to whom such charges were paid and the corresponding amounts are as follows:

	Year ended March 31,		
	2018	**2019**	**2020**
Significant interest entities	$22,424	$30,875	$31,151
Affiliates	40,713	-	-
Total	**$63,137**	**$30,875**	**$31,151**

Computer equipment, software purchases and others

The Group purchases computer equipment, software and other items from certain significant interest entities and affiliates. These purchases from significant interest entities and affiliates during the years ended March 31, 2018, 2019 and 2020 amounted to $1,548, $70 and $193, and $1,958, nil and nil respectively.

Subleasing of facilities

Significant interest entities have leased certain facilities to the Group. The total amount charged for the years ended March 31, 2018, 2019 and 2020 was $6,727, $6,555 and $7,309, respectively.

Interest paid on extended vendor credit:

The Group has negotiated extended interest bearing credit terms with certain related parties for extended payment terms up to 360 days and have paid interest during the years ended March 31, 2018, 2019 and 2020 of $478, $1,087 and $1,376, respectively.

Loans to employees

The Group has advanced general purpose loans to its employees at rates of interest not more than 3% p.a. The repayment periods for these loans are fixed with the tenure of these loans extending up to four years. Employee loan balances outstanding as of March 31, 2019 and 2020 are $349 and $240, respectively.

The balances receivable from and payable to significant interest entities other than employees are summarized as follows:

	March 31, 2019	**March 31, 2020**
Current assets		
Due from related parties		
Accounts receivable, net	$1,498	$753
Unbilled receivable	95	16
Operating lease right-of-use assets	-	14,300
Other assets	9,915	5,852
	$11,508	**$20,921**
Dues to related parties		
Accounts payable	$325	$38
Operating lease liabilities	-	14,870
Other current liabilities	28,786	25,834
	$29,111	**$40,742**

There are no receivables from and payables to affilates.

27. COMMITMENTS AND CONTIGENCIES

Capital commitments

As of March 31, 2020, the Group had contractual commitments for capital expenditure of $73,709.

Other commitments

Some of the Group's software development centers in India are Special Economic Zone/Software Technology Park/Export Oriented Units under the guidelines issued by the Government of India. These units are exempt from customs and central excise duties, goods and services tax and levies on imported and indigenous capital goods and stores and spares. The Group has executed legal undertakings to pay customs duty, central excise duty, levies, goods and services tax and liquidated damages payable, if any, in respect of imported and indigenous capital goods and stores and spares consumed duty free, in the event that certain terms and conditions are not fulfilled.

Other Contingencies

a) A wholly owned subsidiary ("WOS") with a VSAT License had received a demand from Department of Telecommunications ("DoT") in February 2015 for FY 2011-12 and FY 2013-14 for an amount of $17,577 (`1,330 million), including penalty, interest and interest on penalty. It had received provisional assessment orders for all the prior years with no demand. Demand is primarily due to DoT including IT Services revenues and related exchange gains in Adjusted Gross Revenue ("AGR"). The WOS had obtained stay in 2015 and its petition is pending adjudication at the Hon'ble Telecom Disputes Settlement and Appellate Tribunal ("TDSAT"). The IT Services business had been demerged from the WOS with effect from April 01, 2012. The Hon'ble Supreme Court has pronounced its ruling on the AGR matter relating to Unified Access Service License on October 24, 2019. Subsequent to this ruling, the Company has obtained legal opinion and is of the view that it should be able to defend its position in the above matter.

b) The Group is involved in various lawsuits, claims and proceedings that arise in the ordinary course of business, the outcome of which is inherently uncertain. Some of these matters include speculative and frivolous claims for substantial or indeterminate amounts of damages. The Group records a liability when it is both probable that a loss has been incurred and the amount can be reasonably estimated. Significant judgment is required to determine both probability and the estimated amount. The Group reviews these provisions at least annually and adjusts these provisions accordingly, to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, and updated information. The Group believes that the amount or estimable range of reasonably possible loss, will not, either individually or in the aggregate, have a material adverse effect on its business, consolidated financial position, results of operations, or cash flows with respect to loss contingencies for legal and other contingencies as of March 31, 2020.

(Amount in thousands, except per share data and as stated otherwise)

28. LEASES

The Group has taken networking and computer equipment, vehicles, office furniture and equipment on leases. Components of lease cost for operating and finance leases for the year ended March 31, 2020 are summarized below:

	March 31, 2020
Finance Lease cost:	
Amortization of right-of-use assets	$1,306
Interest on lease liabilities	1,138
Operating Lease cost	96,502
Short term Lease cost	14,236
Total Lease cost	**$113,183**

Amortization of right-of-use assets is included in depreciation and amortization, Operating and short term lease cost is included in cost of revenues, research and development, selling general and administrative expenses in consolidated statements of Income.

Right-of-use assets relating to finance lease of $3,712 are included in “Property and equipment,net”.

Other information

	March 31, 2020
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash outflows from Finance leases	$40,003
Financing cashflows from Finance leases, net	17,157
Operating cash outflows from Operating leases	97,793
Weighted average remaining lease term - Operating leases	5.8 years
Weighted average remaining lease term - Finance leases	2.5 years
Weighted average discount rate - Operative leases	5.35%
Weighted average discount rate - Finance leases	3.31%

The following table presents a maturity analysis of expected undiscounted cash flows for operating and finance leases on an annual basis for next five years and thereafter, and its reconciliation with respective lease liabilities recorded at the balance sheet date.

	Finance leases	Operating leases
Year ending March 31,		
2021	$24,318	$86,749
2022	21,310	73,487
2023	11,589	64,504
2024	1,056	51,606
2025	10	34,287
Thereafter	-	70,590
Total lease payments	**$58,282**	**$381,223**
Imputed interest	(2,411)	(54,455)
Total lease liabilities	**$55,871**	**$326,768**

Certain lease agreements include options to terminate or extend the leases. The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

(Amount in thousands, except per share data and as stated otherwise)

Rental expenses under operating leases are amortized on the straight line method. Rent expense for the years ended March 31, 2018, 2019 amounts to $79,549 and $97,290, respectively.

The Group has given IT equipment to its customers on sales type and direct finance leases. The future lease receivables in respect of equipments given on such leases are as follows:

	Total minimum lease payments receivables	Interest included in minimum lease payments receivables	Present value of minimum lease payments receivables
Year ending March 31,			
2021	$100,363	$6,271	$94,092
2022	65,954	4,163	61,790
2023	48,325	1,988	46,337
2024	20,290	632	19,657
2025	3,772	180	3,593
	$238,704	**$13,234**	**$225,470**

The amounts recoverable on account of such leases within one year have been included under 'other current assets' and the balance under 'other assets'.

Before the adoption of ASC 842, Leases, the Group has taken networking and computer equipment, vehicles, office furniture and equipment on capital leases. Future minimum lease payments under capital leases as of March 31, 2019 are as follows:

Year ending March 31,	
2020	$15,509
2021	8,149
2022	4,471
2023	2,033
2024	447
Total minimum payments	30,609
Less: Amount representing future interest	520
Present value of minimum payments	30,089
Less: Current portion	15,245
Long term capital lease obligation	**$14,844**

The Group has taken office facilities on lease under non-cancellable operating lease agreements. Future minimum lease payments as of March 31, 2019 for such non-cancellable operating leases are as follows:

Year ending March 31,	
2020	$73,634
2021	62,008
2022	49,856
2023	44,158
2024	33,677
Thereafter	47,990
Total minimum payments	**$311,323**

(Amount in thousands, except per share data and as stated otherwise)

Impact of COVID-19 (Global pandemic)

Most of the leases entered by the Group are long term in nature and the underlying leased properties are being used as delivery centers or offices. The Group doesn't foresee any major changes in lease terms or the leases in the foreseeable future as per current business projections after considering the impact of COVID - 19.

29. SEGMENT REPORTING

Operating segments are defined as components of an enterprise for which discrete financial information is available and whose results are reviewed regularly by the chief operating decision maker (CODM), for allocation of resources and assess performance. Till March 31, 2019, CODM evaluated the Group's performance by business segment, comprising software services, infrastructure management services and business process outsourcing services.

Consequent to reorganization of its global operations due to technological changes and business requirements with increased focus to meet customer expectations and provide better services, the group effective April 01, 2019, has reorganized itself into the following segments.

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

Engineering and R&D Services provides comprehensive engineering services and solutions across software, embedded, mechanical, VLSI and platform engineering that support the end to end lifecycle of products – both hardware and software across diverse industries including products developed within this business.

Products & Platforms includes standalone product businesses that provide modernized software products to global clients for their technology and industry specific requirements.

Segment information previously reported has been restated to present business segments following the change in composition of operating segments. This change in segment presentation does not affect the consolidated statements of income and comprehensive income, balance sheets or statements of cash flows.

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

Information on reportable segments for the year ended March 31, 2018 is as follows :

	IT and Business Services	Engineering and R&D services	Products & Platforms	Total
Revenue	$5,936,628	$1,449,106	$451,958	$7,837,692
Depreciation and amortization	117,247	37,294	70,612	225,153
Segment earnings	**$1,121,436**	**$316,552**	**$114,100**	**$1,552,088**

(Amount in thousands, except per share data and as stated otherwise)

Information on reportable segments for the year ended March 31, 2019 is as follows:

	IT and Business Services	Engineering and R&D services	Products & Platforms	Total
Revenue	$6,443,211	$1,477,978	$711,236	$8,632,425
Depreciation and amortization	142,683	34,663	129,327	306,673
Segment earnings	**$1,146,044**	**$331,208**	**$210,723**	**$1,687,975**

Information on reportable segments for the year ended March 31, 2020 is as follows:

	IT and Business Services	Engineering and R&D services	Products & Platforms	Total
Revenue	$7,134,934	$1,661,078	$1,139,947	$9,935,959
Depreciation and amortization	166,490	34,285	198,458	399,233
Segment earnings	**$1,266,217**	**$320,792**	**$358,524**	**$1,945,533**

The CODM assesses the performance of the operating segments based on a measure of segment earnings. This measurement basis adjusts income before income taxes to exclude the effects of cash flow hedge accounting gains (losses), foreign exchange gains (losses), finance costs and other income.

A reconciliation of segment earnings to income before income taxes is provided as follows:

	Year ended March 31,		
	2018	**2019**	**2020**
Segment earnings	$1,552,088	$1,687,975	$1,945,533
Foreign exchange gain (loss)	83,481	25,936	(1,857)
Finance cost	(15,114)	(24,893)	(51,293)
Other income, net	99,059	109,123	78,424
Income before income taxes	**$1,719,514**	**$1,798,141**	**$1,970,807**

Revenues from the geographic segments, based on domicile of the customers, are as follows:

	Year ended March 31,		
	2018	**2019**	**2020**
America	$4,566,408	$5,139,404	$5,736,383
Europe	2,145,451	2,305,639	2,726,742
India*	309,189	302,147	330,769
Others	816,644	885,235	1,142,065
	$7,837,692	**$8,632,425**	**$9,935,959**

* Includes revenue billed to India based captive of global customers

(Amount in thousands, except per share data and as stated otherwise)

No single customer represents 10% or more of the Group's total revenue during the years ended March 31, 2018, 2019 and 2020, respectively.

Group operates out of various geographies and America & Europe constitute major portion of revenue. In case of IT and Business Services and Engineering and R&D services over 50% of revenues are generated in America, Europe generates around 25% revenue and balance is generated by other geographies during year ended March 31, 2019 and 2020 respectively. Products & Platforms segment generates over 85% and 55% revenue from America, over 5% and 25% from Europe and balance geographies generates rest of revenue during the year ended March 31, 2019 and 2020 respectively. Revenue and Cash flow from these geographies are consistent across various periods and are effected only in cases of specific risk with respect to any country or customer as the case maybe.

30. REVENUE FROM CONTRACT WITH CUSTOMERS:

A. Disaggregate Revenue Information

The disaggregated revenue from contracts with the customers for the year ended March 31, 2019 and 2020 , respectively by contract type.

Revenues by contract type

	March 31, 2019	March 31, 2020
Fixed price	$ 5,414,015	$ 6,612,636
Time and material	3,218,410	3,323,323
	$ 8,632,425	**$ 9,935,959**

Of the above fixed price revenue, IT and Business Services, accounts for 78% and 76%, Products & Platforms accounts for 13% and 16% and Engineering and R&D services accounts for 9% and 8% for the year ended March 31, 2019 and 2020, respectively. For time and material revenue, IT and Business Services, accounts for 69% and 73% and Engineering and R&D services accounts for 31% and 27%, for the year ended March 31, 2019 and 2020, respectively.

Impact of COVID-19 (Global pandemic)

The group has evaluated the impact of COVID-19 resulting from (a) increase in cost budget of fixed price projects due to additional efforts; (b) onerous projects; (c) penalties for not meeting SLAs; (d) volume discounts (e) termination/deferment of projects to ensure that revenue is recognised after considering all these impacts to the extent known and available currently. We would continue to assess COVID-19 impact as we go along due to uncertainties associated with its nature and duration.

B. Remaining Performance Obligations

As of March 31, 2019 and 2020, the aggregate amount of transaction price allocated to remaining performance obligations as per the requirements of ASC 606 was $7,134,796 and $8,814,251, respectively out of which, approximately 40% and 36% respectively, is expected to be recognized as revenues within one year and the balance beyond one year. This is after exclusions as below:

a) Contracts for which we recognize revenues based on the right to invoice for services performed;
b) Variable consideration allocated entirely to a wholly unsatisfied performance obligation or to a wholly unsatisfied promise to transfer a distinct good or service that forms part of a single performance obligation in accordance with ASC 606-10-25-14(b), for which the criteria in ASC 60610-32-40 have been met or
c) Variable consideration in the form of a sales-based or usage-based royalty promised in exchange for a license of intellectual property.

(Amount in thousands, except per share data and as stated otherwise)

C. Contract Balances

Contract assets

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

Out of $69,638 contract assets as on March 31, 2020, $4,656 pertains to the period prior to March 31, 2019 and the balance pertains to current year.

Contract liabilities

A contract liability arises when there is excess billing over the revenue recognized. The below table discloses the movement in balance of contract liabilities:

	March 31, 2019	March 31, 2020
Balance as at beginning of the year	$130,631	$183,291
Additional amounts billed but not recognized as revenue	140,157	299,720
Addition on account of acquisitions	14,525	274,000
Deduction on account of revenues recognized during the year	(95,886)	(335,637)
Effect of exchange fluctuations	(6,136)	(15,371)
Closing balance as at year end	**$183,291**	**$406,003**

Deferred contract cost

Deferred contract cost primarily represents the contract fulfilment cost and cost for obtaining the contract. The below table discloses the movement in balance of deferred contract cost:

	March 31, 2019	March 31, 2020
Balance as at beginning of the year	$107,867	$178,074
Additional cost capitalised during the year	114,471	133,030
Deduction on account of cost amortised during the year	(39,116)	(56,845)
Effect of exchange fluctuations	(5,148)	(9,020)
Closing balance as at year end	**$178,074**	**$245,239**

31. FAIR VALUE MEASUREMENT

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

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

(Amount in thousands, except per share data and as stated otherwise)

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

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

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

In accordance with ASC Topic 820, "Fair Value Measurements and Disclosures" assets and liabilities are to be measured based on the following valuation techniques:

Market approach – Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

Income approach – Converting the future amounts based on the market expectations to its present value using the discounting method.

Cost approach – Replacement cost method.

The following table discloses the assets and liabilities measured at fair value on a recurring basis as of March 31, 2019 and the basis for that measurement:

	Fair value	Level 1 inputs	Level 2 inputs	Level 3 inputs
Assets				
Deposits with banks, corporations and debt securities having maturities less than three months	$281,638	$281,638	-	-
Term deposits with banks	$280,818	-	$280,818	-
Deposits with corporation	$243,281	-	$243,281	-
Investment securities, available for sale			-	-
Debt linked mutual funds	$143,797	$143,797	-	-
Corporate debt securities	$177,377	$177,377	-	-
Derivative financial instruments	$45,588	-	$45,588	-
Liabilities				
Derivative financial instruments	$688	-	$688	-
Contingent consideration	$1,988	-	-	$1,988

(Amount in thousands, except per share data and as stated otherwise)

The following table discloses the assets and liabilities measured at fair value on a recurring basis as of March 31, 2020 and the basis for that measurement:

	Fair value	Level 1 inputs	Level 2 inputs	Level 3 inputs
Assets				
Deposits with banks, corporations and debt securities having maturities less than three months	$110,908	$110,908	-	-
Investment securities, available for sale				-
Debt linked mutual funds	$435,811	$435,811	-	-
Corporate debt securities*	$487,780	-	$487,780	-
Other Investments	$5,145	-	-	$5,145
Derivative financial instruments	$8,885	-	$8,885	-
Liabilities				
Derivative financial instruments	$49,026	-	$49,026	-
Contingent consideration	$729	-	-	$729

**During the year, w.e.f. July 01 2019, the fair value of corporate debt securities is determined using observable markets' inputs and is classified as Level 2 as against earlier classification as Level 1.*

The following table provides a roll-forward of the fair value of earn-out consideration categorized as level 3 in the fair value hierarchy for the years ended March 31, 2019 and 2020.

	March 31, 2019	March 31, 2020
Opening balance	**$17,759**	**$1,988**
Contingent consideration payable in connection with acquisitions	-	40,079
Purchase price adjustment	(9,815)	-
Payments	(3,792)	(41,505)
Change in fair value of earn out consideration included in "other income, net"	(2,456)	-
Finance cost	466	282
Effect of exchange fluctuations	(174)	(115)
Closing balance	**$1,988**	**$729**

The following table provides a roll-forward of the Other investments categorized as level 3 in the fair value hierarchy for the years ended March 31, 2020.

	March 31, 2020
Opening balance	**$7,217**
Additional investments	2,288
Unrealized gain (loss) on fair value changes	122
Provision for impairment of other investments	(4,087)
Effect of exchange fluctuations	(395)
Closing balance	**$5,145**

The Group adopted ASU 2016-01 effective March 31, 2020, Prior to the adoption of FASB ASU No. 2016-01, these investments were accounted for under the cost method.

Valuation Methodologies

Quoted market prices in active markets are available for investments in securities and, as such, these investments are classified within Level 1.
Investments: The Group investments consist primarily of investment in debt linked mutual funds. Fair values of investment securities classified as available -for -sale are determined using quoted prices for identical assets or liabilities in active markets and are classified as Level 1. Fair value of corporate debt securities, term deposits with banks and corporations is determined using observable markets' inputs and is classified as Level 2.

Other investments : The investment in unquoted equity securities are measured at fair value with changes recognised in net income and other investments in equity securities that do not have readily determinable fair values will be measured at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions. The re-measurement is calculated using unobservable inputs based on the Group's own assessment of third party valuations and respective company's financial performance. and is classified as Level 3.

Derivative financial instruments: The Group's derivative financial instruments consist of foreign currency forward exchange contracts, options and interest rate swaps. Fair values for derivative financial instruments are based on counter party and broker quotations and are classified as Level 2. See note 12 for further details on Derivative financial instruments.

Fair value of contingent consideration: The fair value measurement of contingent consideration is determined using Level 3 inputs. The Group's contingent consideration represents a component of the total purchase consideration for its acquisitions. The measurement is calculated using unobservable inputs based on the Company's own assessment of achievement of certain performance goals.

The fair value of the Group's current assets and current liabilities including short term deposits with Banks, corporations, and short term loans approximate their carrying values because of their short-term maturity.

Certain assets are measured at fair value on a non-recurring basis and therefore are not included in the recurring fair value table above. The assets and liabilities consist primarily of long term debt and other non financial assets such as goodwill and intangible assets. Goodwill and intangible assets are measured at fair value initially and subsequently when there is an indicator of impairment, and an impairment is recognized.

Impact of COVID-19 (Global pandemic)

Assets measured using level 1 inputs primarily include investment securities in liquid debt funds and the fair value being marked to an active market which factors the impact of COVID-19, we do not expect material volatility in these financial assets.

Assets and liabilities measured using level 2 inputs which include investment in debt securities and derivative financial instruments, and financial assets measured at amortised cost which include cash and cash equivalents and deposits with banks and corporations, have been assessed basis counterparty credit risk.

(Amount in thousands, except per share data and as stated otherwise)

32. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table summarizes the changes in the accumulated balances for each component of accumulated other comprehensive income attributable to HCL Technologies limited.

	Year ended March 31		
	2018	**2019**	**2020**
Unrealized gain on securities available for sale:			
Opening balance (net of tax)	$827	$1,475	$902
Unrealized gains	17,331	13,955	10,586
Reclassification adjustments into other (income) expenses, net	(16,465)	(14,679)	(9,603)
Income tax benefit (expense)	(218)	151	(309)
Effect of exchange fluctuations	-	-	39
Closing balance (net of tax)	**$1,475**	**$902**	**$1,615**
Unrealized gain (loss) on cash flow hegdes:			
Opening balance (net of tax)	$68,617	$20,958	$24,710
Unrealized gain (loss)	20,952	11,868	(57,805)
Reclassification adjustments into other (income) expenses, net	(80,336)	(6,418)	(18,974)
Income tax benefit (expense)	12,120	(217)	14,121
Effect of exchange fluctuations	(395)	(1,481)	(2,597)
Closing balance (net of tax)	**$20,958**	**$24,710**	**($40,545)**
Actuarial gain on defined benefit plan:			
Opening balance (net of tax)	$2,424	$3,722	$7,431
Actuarial gain (loss)	1,684	4,937	(11,903)
Reclassification adjustments into employee benefit expenses*	-	(117)	(420)
Income tax benefit (expense)	(361)	(900)	2,490
Effect of exchange fluctuations	(25)	(211)	(224)
Closing balance (net of tax)	**$3,722**	**$7,431**	**($2,626)**
Foreign currency translation loss:			
Opening balance	($663,664)	($605,080)	($920,408)
Foreign currency translation	58,584	(315,328)	(464,730)
Closing balance	**($605,080)**	**($920,408)**	**($1,385,138)**

* Reclassification into employee benefit expenses are recognized in cost of revenues, research and development and selling, general and administrative expenses

(Amount in thousands, except per share data and as stated otherwise)

33. COMPONENTS OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The components of accumulated other comprehensive loss at March 31, 2019 and March 31, 2020 are as follows:

	March 31,2019	March 31, 2020
Unrealized gain on securities available for sale	$902	$1,615
Unrealized gain (loss) on cash flow hedges	24,710	(40,545)
Unrealized gain on defined benefit plan	7,431	(2,626)
Foreign currency translation	(920,408)	(1,385,138)
	($887,365)	**($1,426,694)**

34. SUBSEQUENT EVENTS

a) The Board of Directors in their meeting on May 07, 2020 recommended a final dividend of ` 2 per equity share for the financial year ended March 31, 2020. This payment is subject to the approval of shareholders in the Annual General Meeting of the Company.

b) The Group has evaluated all the subsequent events through May 07, 2020, which is the date on which these financial statements were issued, and no events have occurred from the balance sheet date through that date except for matters that have already been considered in the consolidated financial statements.