HCL Technologies Limited and Subsidiaries

Unaudited Condensed Consolidated Financial Statements

For The Three Months Ended June 30, 2021 and 2020

With Independent Auditors' Review Report

HCL Technologies Limited and Subsidiaries
Table of Contents

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Independent Auditors' Review Report

The Board of Directors
HCL Technologies Limited:

Report on the Financial Statements

We have reviewed the condensed consolidated financial statements of HCL Technologies Limited and its subsidiaries (the "Company"), which comprise the condensed consolidated balance sheet as of June 30, 2021, and the related condensed consolidated statements of income, comprehensive income, equity and cash flows for the three-month periods ended June 30, 2021 and 2020, and the related notes (collectively referred to as the condensed consolidated financial information).

Management's Responsibility

The Company's management is responsible for the preparation and fair presentation of the condensed consolidated financial information in accordance with U.S. generally accepted accounting principles; this responsibility includes the design, implementation, and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of interim financial information in accordance with U.S. generally accepted accounting principles.

Auditors' Responsibility

Our responsibility is to conduct our reviews in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial information. Accordingly, we do not express such an opinion.

Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated financial information referred to above for it to be in accordance with U.S. generally accepted accounting principles.

Report on Condensed Balance Sheet as of March 31, 2021

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet as of March 31, 2021, and the related consolidated statements of income, comprehensive income, equity, and cash flows for the year then ended (not presented herein); and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated April 23, 2021. In our opinion, the accompanying condensed consolidated balance sheet of HCL Technologies Limited and its subsidiaries as of March 31, 2021 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

KPMG Assurance and Consulting Services LLP

Gurugram, Haryana, India
July 19, 2021

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

	As of	
	March 31, 2021 (Audited)	June 30, 2021 (Unaudited)
ASSETS		
Current assets		
Cash and cash equivalents	$890,959	$746,394
Term deposits with banks	323,073	304,591
Deposit with corporations	662,085	524,763
Investment securities, available for sale	926,406	1,008,593
Accounts receivable, net	1,868,553	1,925,828
Unbilled receivable	528,123	563,938
Inventories	12,793	16,044
Other current assets	675,948	672,545
Total current assets	**5,887,940**	**5,762,696**
Deferred income taxes, net	326,277	324,987
Term deposits with banks	-	135
Investments in affiliates	6,356	6,356
Other investments	5,745	5,968
Property and equipment, net	854,053	828,781
Operating lease right-of-use assets	327,123	319,159
Intangible assets, net	1,616,785	1,487,520
Goodwill	2,370,031	2,357,050
Other assets	600,236	576,285
Total assets (a)	**$11,994,546**	**$11,668,937**

See accompanying notes to the condensed consolidated interim financial statements.

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

	As of	
	March 31, 2021 (Audited)	June 30, 2021 (Unaudited)
LIABILITIES, REDEEMABLE NON-CONTROLLING INTERESTS AND EQUITY		
Current liabilities		
Current portion of finance lease liabilities	$24,746	$16,496
Current portion of operating lease liabilities	69,737	78,936
Accounts payable	320,017	319,713
Short term borrowings	61	-
Current portion of long term debt	10,798	8,352
Accrued employee costs	582,151	539,731
Contract liabilities	421,064	367,988
Income taxes payable	175,952	212,434
Other current liabilities	767,349	751,500
Total current liabilities	**2,371,875**	**2,295,150**
Long term debt	523,564	523,231
Deferred income taxes, net	20,144	16,651
Operating lease liabilities, net of current portion	240,304	221,795
Finance lease liabilities, net of current portion	19,954	10,530
Accrued employee costs	187,437	196,090
Contract liabilities	70,479	79,356
Other liabilities	68,880	59,578
Total liabilities (a)	**$3,502,637**	**$3,402,381**
Commitments and contingencies (Note 21)		
Redeemable non-controlling interests	79,985	80,500
HCL Technologies Limited Shareholders' Equity		
Equity shares, ` 2 par value, authorized 3,017,000,000 shares as of March 31, 2021, and June 30, 2021, respectively		
Issued and outstanding 2,713,665,096 shares as of March 31, 2021, and June 30, 2021, respectively	93,788	93,788
Additional paid-in capital	412,327	412,327
Retained earnings	8,974,914	8,820,467
Accumulated other comprehensive loss	(1,078,358)	(1,150,799)
HCL Technologies Limited Shareholders' Equity	**8,402,671**	**8,175,783**
Non-controlling interest	9,253	10,273
Total equity	**8,411,924**	**8,186,056**
Total liabilities, redeemable non-controlling interests and equity	**$11,994,546**	**$11,668,937**

a) Consolidated assets at March 31, 2021 and June 30, 2021 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, 2021 and June 30, 2021, include liabilities of certain VIEs' for which the VIEs' creditors do not have recourse to HCL Technologies Limited and Subsidiaries (See Note 8).

See accompanying notes to the condensed consolidated interim financial statements.

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

	Three months ended June 30 (unaudited)	
	2020	**2021**
Revenues	**$2,355,545**	**$2,719,579**
Cost of revenues (exclusive of depreciation and amortization)	1,416,144	1,652,649
Gross profit	**939,401**	**1,066,930**
Research and development	45,114	53,659
Selling, general and administrative expenses	291,063	347,892
Depreciation and amortization	119,685	132,447
Other (income) expenses, net	(40,318)	(32,289)
Finance cost	13,153	6,101
Income before income taxes	**510,704**	**559,120**
Provision for income taxes	122,711	121,211
Net income	**387,993**	**437,909**
Net (loss) income attributable to redeemable non-controlling interest/ non-controlling interest	1,655	2,131
Net income attributable to HCL Technologies Limited shareholders	**$386,338**	**$435,778**
Earnings per equity share (See note 19)		
Basic	$0.14	$0.16
Diluted	$0.14	$0.16
Weighted average number of equity shares used in computing earnings per equity share		
Basic	2,713,665,096	2,713,665,096
Diluted	2,713,665,096	2,713,665,096

See accompanying notes to the condensed consolidated interim financial statements.

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

	Three months ended June 30, (Unaudited)	
	2020	**2021**
Net income attributable to HCL Technologies Limited shareholders	**$386,338**	**$435,778**
Add: Net (loss) income attributable to redeemable non-controlling / non-controlling interest	**$1,655**	**$2,131**
Other comprehensive income (loss) net of taxes:		
Change in unrealized gain (loss) on cash flow hedges, net of taxes ($3,131) and $2,578 for the three months ended June 30, 2020, and 2021, respectively.	15,266	(4,798)
Change in unrealized gain (loss) on securities available for sale, net of taxes ($1,142) and $493 for the three months ended June 30, 2020, and 2021, respectively.	1,940	(934)
Change in unrealized gain (loss) on defined benefit plan, net of taxes ($66) and Nil for the three months ended June 30, 2020, and 2021, respectively.	(71)	69
Change in foreign currency translation	36,533	(66,778)
Other comprehensive income (loss)	**53,668**	**(72,441)**
Add: Comprehensive loss attributable to non-controlling interest	49	(14)
Total comprehensive income	**$441,710**	**$365,454**

See accompanying notes to the condensed consolidated interim financial statements.

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

	Equity shares			Retained earnings						
	Shares	Par value	Additional paid-in capital	Other unappropriated reserves	SEZ reinvestment reserve*	Accumulated other comprehensive loss	HCL Technologies Limited Shareholders' Equity	Non-controlling Interest	Total Equity	Redeemable non-controlling interest
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**
Dividend to redeemable non-controlling interest	-	-	-	-	-	-	-	-	-	(2,188)
Transfer to special economic zone (SEZ) reinvestment reserve *	-	-	-	(46,750)	46,750	-	-	-	-	-
Transfer from special economic zone (SEZ) reinvestment reserve *	-	-	-	13,425	(13,425)	-	-	-	-	-
Net income	-	-	-	386,338	-	-	386,338	561	386,899	1,094
Other comprehensive income	-	-	-	-	-	53,668	53,668	49	53,717	-
Balances as at June 30, 2020	**2,713,665,096**	**$93,788**	**$412,327**	**$7,994,274**	**$138,176**	**($1,373,026)**	**$7,265,539**	**$6,009**	**$7,271,548**	**$68,690**

* 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 condensed consolidated interim financial statements.

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

	Equity shares			Retained earnings						
	Shares	Par value	Additional paid-in capital	Other unappropriated reserves	SEZ reinvestment reserve*	Accumulated other comprehensive loss	HCL Technologies Limited Shareholders' Equity	Non-controlling Interest	Total Equity	Redeemable non-controlling interest
Balances as at March 31, 2021	**2,713,665,096**	**$93,788**	**$412,327**	**$8,738,939**	**$235,975**	**($1,078,358)**	**$8,402,671**	**$9,253**	**$8,411,924**	**$79,985**
Cash dividend	-	-	-	(588,625)	-	-	(588,625)	-	(588,625)	-
Dividend to redeemable non-controlling interest	-	-	-	-	-	-	-	-	-	(2,182)
Change in fair value of redeemable non- controlling interest	-	-	-	(1,600)	-	-	(1,600)	-	(1,600)	1,600
Transfer to special economic zone (SEZ) reinvestment reserve *	-	-	-	(60,542)	60,542	-	-	-	-	-
Transfer from special economic zone (SEZ) reinvestment reserve *	-	-	-	14,400	(14,400)	-	-	-	-	-
Net income	-	-	-	435,778	-	-	435,778	1,034	436,812	1,097
Other comprehensive income	-	-	-	-	-	(72,441)	(72,441)	(14)	(72,455)	-
Balances as at June 30, 2021	**2,713,665,096**	**$93,788**	**$412,327**	**$8,538,350**	**$282,117**	**($1,150,799)**	**$8,175,783**	**$10,273**	**$8,186,056**	**$80,500**

* 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 condensed consolidated interim financial statements.

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

	Three months June 30, (Unaudited)	
	2020	**2021**
Cash flows from operating activities		
Net income	**$387,993**	**$437,909**
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	119,685	132,447
Deferred income taxes	22,013	(3,469)
(Gain) loss on sale of property and equipment	(14,378)	116
Gain on sale of investment securities and other investments, net	(5,804)	(2,813)
Provision for doubtful accounts and bad debts, net	9,694	(1,405)
Others, net	6,335	750
	525,538	**563,535**
Changes in assets and liabilities, net of effects of acquisitions		
Accounts receivable and unbilled receivable	175,271	(89,736)
Other current, operating lease right-of-use assets and other assets	126,558	38,290
Accounts payable	2,888	(2,396)
Accrued employee costs	(21,775)	(31,392)
Other current, operating lease liabilities and other liabilities	10,233	(31,752)
Net cash provided by operating activities	**818,712**	**446,548**
Cash flows from investing activities		
Purchase of property and equipment and intangibles	(61,723)	(43,409)
Proceeds from sale of property and equipment	16,085	653
Investment in term deposit with banks	(7,947)	(815)
Proceeds from term deposit with banks on maturity	12,316	13,964
Investment in term deposits with corporations	(315,979)	(20,335)
Proceeds from term deposits with corporations on maturity	141,463	147,771
Purchase of investment securities	(972,178)	(1,013,804)
Proceeds from sale or maturity of investment securities	1,119,562	921,157
Purchase of other investment	-	(192)
Net cash (used) provided by investing activities	**(68,401)**	**4,990**

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

	Three months June 30, (Unaudited)	
	2020	**2021**
Cash flows from financing activities		
(Decrease) Increase of principal under finance lease obligations, net	(2,773)	(7,421)
Proceeds from short term borrowings	94,080	240
Repayment of short term borrowings	(141,515)	(1,571)
Proceeds from long term debt	3,607	581
Repayment of long term debt	(9,812)	(3,009)
Payment for deferred consideration on business acquisition	(813,326)	-
Dividend to redeemable non-controlling Interests	(2,188)	(2,182)
Dividend paid	(9)	(588,444)
Net cash used in financing activities	**(871,936)**	**(601,806)**
Effect of exchange rate changes on cash and cash equivalents and restricted cash	9,427	5,047
Net increase (decrease) in cash and cash equivalents and restricted cash	(112,198)	(145,220)
Cash and cash equivalents and restricted cash at the beginning of the period	641,652	892,642
Cash and cash equivalents and restricted cash at the end of the period	**$529,454**	**747,421**

See accompanying notes to the condensed consolidated interim 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 global technology workforce and Intellectual properties to deliver solutions across following industry verticals - Financial Services, Manufacturing, Life sciences & Healthcare, Public services, Retail & CPG, Technology & Services and Telecom, Media, Publishing and Entertainment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation and principles of consolidation

The accompanying unaudited condensed consolidated interim 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") for interim financial reporting to reflect the financial position and results of operations of the Group. Certain information and disclosures normally included in consolidated financial statements prepared in accordance with US GAAP have been condensed or omitted. Accordingly, these unaudited interim condensed consolidated financial statements should be read in conjunction with the Group's annual consolidated financial statements and accompanying notes for the year ended March 31, 2021. The unaudited interim condensed consolidated financial statements reflect all adjustments (of a normal and recurring nature) which the management considers necessary for a fair presentation of such statements for these periods. The results for the interim periods presented are not necessarily indicative of the results that may be expected for the full year or for any subsequent period.

The accompanying balance sheet as of March 31, 2021 is derived from audited financial statements but does not include all of the financial information and footnotes required by US GAAP for complete financial statements.

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

These unaudited condensed 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 condensed 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 condensed 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 condensed 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, income taxes, 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.

In view of pandemic relating to COVID -19, the group has considered and taken into account internal and external information and has performed sensitivity analysis based on current estimates in assessing the recoverability of receivables, unbilled receivables, goodwill, intangible assets, other assets, impact on revenues and costs, impact on leases and effectiveness of its hedging relationships, including but not limited to the assessment of liquidity and going concern assumption. However, the actual impact of COVID-19 on the Group's financial statements may differ from that estimated and the Group will continue to closely monitor any material changes to future economic conditions.

(c) Functional currency and translation

The functional currency of each entity in the Group is its respective local currency except for few subsidiaries outside India where the local currency is not representative of the functional currency. 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 condensed consolidated statement of income within 'other income'. Any exchange difference in intercompany balances arising because of elimination of intercompany transactions is 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, system 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. In case of renewals of proprietary term licenses with existing customers revenue from term license is recognized at a point in time when the renewal is agreed on signing of contracts. Revenue from support and subscription (S&S) is recognized over the contract term on a straight-line basis as the company is providing a service of standing ready to provide support, when-and-if needed, and is providing unspecified software upgrades on a when-and-if available basis over the contract term. In case software are bundled with one year of support and subscription either for perpetual or term based license, such support and subscription contracts are generally priced as a percentage of the net fees paid by the customer to purchase the license and are generally recognized as revenues ratably over the contractual period that the support services are provided.

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 condensed consolidated balance sheet. 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). A contract liability arises when there is excess billing over the revenue recognized.

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

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

(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 6).

(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'.

All leases with a term of more than 12 months are recognized as right-of-use assets along with associated lease liabilities, in the condensed 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 condensed 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 condensed 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. Purchase and sale of available for sale securities are accounted for at trade date.

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 condensed 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) Employee benefits

Defined contribution plan

Contributions to other defined contribution plans in subsidiaries outside India are recognized as expense when employees have rendered services entitling them to such benefits.

In certain subsidiaries outside India, the Group provide retirement benefit pension plans in accordance with the local laws. The liability is actuarially determined (using the projected unit credit method) at the end of each year.

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.

(o) 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.

(p) 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 condensed 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 condensed consolidated statement of income. The ineffective portion of hedging derivatives is immediately recognized in the condensed 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 10 for additional information.

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

(q) 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

(r) Recently issued accounting pronouncements

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 condensed 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 condensed 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 amendment was applicable for fiscal years beginning April 01, 2020, and interim periods within fiscal years beginning after December 15, 2020. Subsequently in November 2019, the FASB issued Accounting Standards Update No. 2019-10 (ASU 2019-10) and decided to defer the mandatory effective date for Hedging for all other entities by an additional year. Therefore, Hedging is effective for entities other than public business entities for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Early application continues to be allowed. Accordingly, the amendment is effective for the Group from the fiscal year ending March 31, 2022, and interim periods within fiscal years beginning after December 15, 2021, i.e., April 01, 2022. The Group does not expect the adoption of this update to have a material impact on its condensed 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 Group beginning April 1, 2022. Early adoption is permitted. The Group 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 condensed consolidated financial statements.

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 condensed 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, 2021 and June 30, 2021, 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.

4. TRANSFER OF FINANCIAL ASSETS

The Group has revolving accounts receivable based facilities of $319,000 and $300,000 as of March 31, 2021 and June 30, 2021, respectively, 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 three months ended June 30, 2020 and 2021 was $98,209 and $60,583, respectively. Outstanding utilization against this facility as of March 31, 2021 and June 30, 2021 is $7,659 and $60,583, respectively.

Gains or losses on the sales are recorded at the time of transfer of these receivables and are immaterial. The Group has no outstanding service obligation.

5. ACQUISITIONS IN *PREVIOUS PERIODS*

Acquisition of CISCO SON Product

On May 29, 2020, the Group had signed a definitive agreement to acquire Cisco Self-Optimizing Network (SON) product and associated business from Cisco System, Inc., a California based company for a consideration of $49,999.

The Cisco SON technology is a powerful platform that uses machine learning and a set of applications to automate the Radio Access Network (RAN). SON is a multi-vendor multi-technology (MVMT) solution that optimizes the Radio Access Networks (RAN) for 2G-5G.

Acquisition was consummated effective October 25, 2020. The Group paid $48,763 on acquisition date and balance $1,236 was paid subsequently during the year ended March 31,2021.

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

Total purchase consideration of $49,999 has been allocated based on management estimates to the acquired assets and liabilities as follows:

	Amount
Recoverable from Cisco (against contract liabilities)	$10,117
Contract liabilities	(9,552)
Other Recoverable from Cisco	3,403
Property and equipment	77
Technology	12,638
Customer relationships	12,132
Customer contracts	2,022
Non-compete agreements	1,011
Goodwill	18,151
Total purchase consideration	**$49,999**

The resultant goodwill was considered tax deductible on the date of acquisition and has been allocated to the Products & Platforms segment. This goodwill is attributable mainly to Group's ability to 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
Technology	$12,638	8	On straight line basis
Customer relationships	12,132	8	In proportion of estimated revenue
Customer contracts	2,022	3	In proportion of estimated revenue
Non-compete agreements	1,011	4	On straight line basis
Total Intangible assets	**$27,803**		

Acquisition of DWS Limited

On September 21, 2020, the Group had announced its intent to acquire through a wholly owned subsidiary, 100% stake in DWS Limited, a leading Australian IT, business and management consulting group for $120,467 (AUD 158,198) payable in cash.

The suite of solutions provided by DWS covers, but not limited to, Digital Transformation, IT, Business and Management Consulting services, Data and Business Analytics, and Robotic Process Automation services.

The acquisition was consummated on January 05, 2021 and the Group paid $120,467.

Total purchase consideration of $120,467 has been preliminarily allocated based on management estimates to the acquired assets and liabilities as follows:

	Amount
Net working capital (including cash of $6,899)	($4,158)
Deferred tax liabilty,net	(5,076)
Borrowing	(29,698)
Property and equipment, net	1,697
Customer relationships	20,560
Customer contracts	3,427
Brand	10,661
Goodwill	123,054
Total purchase consideration	**$120,467**

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

The resultant goodwill is considered non tax deductible and has been allocated to the IT & Business Services segment. The acquisition is a step towards enhancing the Group's presence in the Australia and New Zealand region. The acquisition also helps the Group expand its coverage of clients and use the acquired customer base to offer its expanded portfolio of services.

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

	Amount	Life (Years)	Basis of amortisation
Customer relationships	20,560	7 years 6months	In proportion of estimated revenue
Customer contracts	3,427	6 months	In proportion of estimated revenue
Brand	10,661	5	On straight line basis
Total Intangible assets	**$34,648**		

The Group is in the process of making a final determination of the fair value of assets and liabilities primarily related to certain tax matters.

6. PROPERTY AND EQUIPMENT

As of March 31, 2021 and June 30, 2021, property and equipment comprises the following:

	March 31, 2021	June 30, 2021
Freehold land	$10,816	$10,655
Buildings	445,196	444,897
Computer and networking equipment	746,817	757,175
Software	122,772	124,845
Furniture, fixtures and office equipment	126,248	130,264
Plant and equipment	304,468	309,413
Vehicles	19,634	19,192
Capital work-in-progress	54,393	37,883
	1,830,344	**1,834,324**
Accumulated depreciation and amortization	(976,291)	(1,005,543)
Property and equipment, net	**$854,053**	**$828,781**

Computer and networking equipment includes assets taken on finance lease and represents right of use assets on finance lease of $7,480 and $4,945 as of March 31, 2021 and June 30, 2021, respectively.

7. GOODWILL AND INTANGIBLES

Changes in goodwill balances by reportable segment, for the year ended March 31, 2021, are as follows :

	IT and Business Services	Engineering and R&D Services	Products & Platforms	Total
Balance as at March 31, 2020	$736,474	$412,095	$1,007,626	$2,156,195
Acquisitions during the period	123,054	-	18,151	141,205
Effect of exchange rate changes	39,587	3,553	29,491	72,631
Balance as at March 31, 2021	**$899,115**	**$415,648**	**$1,055,268**	**$2,370,031**

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

Changes in goodwill balances by reportable segment, for the three months ended June 30, 2021, are as follows:

	IT and Business Services	Engineering and R&D Services	Products & Platforms	Total
Balance as at March 31, 2021	$899,115	$415,648	$1,055,268	$2,370,031
Acquisitions during the period	-	-	-	-
Effect of exchange rate changes	877	(1,191)	(12,667)	(12,981)
Balance as at June 30, 2021	**$899,992**	**$414,457**	**$1,042,601**	**$2,357,050**

The components of intangible assets are as follows:

	March 31, 2021	June 30, 2021
Intellectual property rights	$2,839	$2,826
Technology	416,731	411,143
Customer related intangibles	1,139,600	1,125,908
Licensed IPRs	817,018	755,745
Assembled workforce	37,955	38,041
Customer contracts	27,328	27,227
Non-compete agreements	4,688	4,653
Brand and others	14,005	13,879
	$2,460,164	**2,379,422**
Accumulated amortization	($843,379)	(891,902)
Intangibles, net	**$1,616,785**	**$1,487,520**

Amortization expense was $69,767 and $76,107 for the three months ended June 30, 2020 and 2021, respectively.

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

Year ending March 31,	
2022	$207,839
2023	260,346
2024	235,698
2025	212,988
2026	181,619
Thereafter	389,030
	$1,487,520

8. 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.

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

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, 2021	June 30, 2021
Current assets		
Cash and cash equivalents	$16,133	$23,064
Term deposits with banks	24,893	25,157
Accounts receivables, net	3,343	6,763
Unbilled receivables	3,177	3,488
Other current assets	8,686	8,992
Total Current Assets	**$56,232**	**$67,464**
Deferred income taxes, net	8,948	7,975
Property and equipment, net	8,058	7,921
Operating lease right-of-use assets	14,492	13,569
Other assets	14,801	12,727
Total Assets	**$102,531**	**$109,656**
Current liabilities		
Accounts payable	$848	$479
Accrued employee costs	2,754	2,787
Current portion of Operating leases liability	2,690	2,746
Other current liabilities	5,287	4,383
Total current liabilities	**$11,579**	**$10,395**
Accrued employee costs	2,293	2,471
Operating lease liabilities, net of current portion	13,093	12,124
Total liabilities	**$26,965**	**$24,990**

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

b) For the three months ended June 30, 2020 and 2021, total revenues from VIEs were $19,992 and $18,274, respectively.

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

9. INVESTMENT SECURITIES

Available for sale investment securities consist of the following:

As of March 31, 2021:

	Carrying value	Gross unrealized holding gains	Gross unrealized holding loss	Fair value
Mutual fund units – debt	$139,775	$284	$-	$140,059
Corporate debt securities	781,786	4,561	-	786,347
Total	**$921,561**	**$4,845**	**$-**	**$926,406**

As of June 30, 2021:

	Carrying value	Gross unrealized holding gains	Gross unrealized holding loss	Fair value
Mutual fund units – debt	$430,069	$452	$-	$430,522
Corporate debt securities	575,132	2,940	-	578,071
Total	**$1,005,201**	**$3,392**	**$-**	**$1,008,593**

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 June 30, 2021 is set out below:

	Fair value
Less than one year	$785,611
After 1 year through 5 years	222,982
	$1,008,593

Proceeds from the sale of available for sale securities were $1,119,562 and $921,157, for the three months ended June 30, 2020 and 2021, 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:

	Three months ended June 30	
	2020	**2021**
Net realised gain	$5,804	$2,813
Reclassification into earnings on maturity, out of other comprehensive income	$4,188	$1,553

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

10. 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 July 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, 2021		**June 30, 2021**		**March 31, 2021**	**June 30, 2021**
Foreign exchange forward denominated in:						
USD /INR	$1,012,387	(Sell)	$1,063,067	(Sell)	$22,513	$17,745
GBP/ INR	£56,300	(Sell)	£71,670	(Sell)	(678)	(371)
GBP/USD	-	(Sell)	£8,800	(Sell)	-	72
EUR / USD	€ 20,250	(Sell)	€ 45,250	(Sell)	210	858
EUR/ INR	€ 117,000	(Sell)	€ 125,000	(Sell)	6,044	4,316
AUD/INR	AUD 113,288	(Sell)	AUD 104,832	(Sell)	(1,243)	856
AUD/USD	AUD 80,400	(Sell)	AUD 85,886	(Sell)	162	547
SEK/INR	SEK 560,000	(Sell)	SEK 920,000	(Sell)	1,311	1,371
CHF/ INR	CHF 24,500	(Sell)	CHF 23,877	(Sell)	1,624	1,081
MXN/USD	MXN 257,000	(Sell)	MXN 297,000	(Sell)	(99)	(352)
RUB/USD	RUB 149,500	(Sell)	RUB 180,500	(Sell)	(19)	(22)
NOK/INR	NOK 115,000	(Sell)	NOK 100,000	(Sell)	(557)	(238)
CNY/USD	CNY 157,000	(Sell)	CNY 132,000	(Sell)	9	(15)
NZD/USD	NZD 17,350	(Sell)	NZD 20,350	(Sell)	(44)	281
NZD/INR	NZD 2,165	(Sell)	NZD 2,543	(Sell)	70	59
PLN/USD	PLN 11,000	(Sell)	-	(Sell)	(6)	-
ZAR/USD	ZAR 159,217	(Sell)	ZAR 59,000	(Sell)	(128)	62
BRL/USD	BRL 80,000	(Sell)	BRL 75,000	(Sell)	(323)	42
JPY/USD	-	(Sell)	JPY 1,180,000	(Sell)	-	1
JPY/INR	JPY 2,075,000	(Sell)	JPY 1,875,000	(Sell)	1,793	1,529
CAD/INR	CAD 23,500	(Sell)	CAD 21,990	(Sell)	(306)	(346)
SGD/INR	SGD 7,691	(Sell)	-	(Sell)	70	-
SGD/USD	SGD 2,300	(Sell)	-	(Sell)	23	-
IDR/USD	IDR 23,200,000	(Sell)	IDR 9,400,000	(Sell)	8	1
RON/USD	RON 30,000	(Sell)	RON 29,950	(Sell)	19	80
CAD/USD	CAD 40,750	(Buy)	CAD 35,250	(Buy)	38	(529)
SGD/USD	SGD 21,950	(Buy)	SGD 8,000	(Buy)	48	(14)

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

	Notional principal amounts		Balance sheet exposure Asset (Liability)	
	March 31, 2021	**June 30, 2021**	**March 31, 2021**	**June 30, 2021**
GBP/USD	£16,350 (Buy)	£51,850 (Buy)	70	(436)
EUR/USD	€ 8,000 (Buy)	€ 12,000 (Buy)	(4)	(35)
AUD/USD	AUD 3,400 (Buy)	- (Buy)	-	-
SEK/USD	SEK 419,000 (Buy)	SEK 547,500 (Buy)	(70)	(390)
JPY /USD	JPY 1,255,000 (Buy)	JPY 1,484,000 (Buy)	(95)	(46)
CHF /USD	CHF 11,515 (Buy)	CHF 11,000 (Buy)	(12)	(29)
CLP /USD	- (Buy)	CLP 610,000 (Buy)	-	5
NOK /USD	NOK 247,500 (Buy)	NOK 227,500 (Buy)	218	(258)
DKK/USD	DKK 89,500 (Buy)	DKK 98,500 (Buy)	(31)	(184)
PHP/USD	PHP 500,000 (Buy)	PHP 605,000 (Buy)	(30)	(100)
CZK/USD	CZK 50,000 (Buy)	CZK 79,000 (Buy)	(7)	(45)
MXN/USD	- (Buy)	MXN 38,000 (Buy)	-	88
BGN/USD	BGN 8,850 (Buy)	BGN 6,900 (Buy)	(38)	(79)
ILS/USD	ILS 8,074 (Buy)	ILS 9,774 (Buy)	(19)	(10)
			$30,521	**$25,495**

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

	Notional principal amounts		Balance sheet exposure Asset (Liability)	
	March 31, 2021	**June 30, 2021**	**March 31, 2021**	**June 30, 2021**
Range Forward (Sell)				
USD/INR	$606,870	$565,190	$11,601	$6,073
EUR/INR	€ 13,500	€ 54,660	364	1,573
GBP/INR	£12,000	£12,000	42	(24)
Seagull (Sell)				
EUR/INR	€ 8,000	-	304	-
			$12,311	**$7,622**

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.

The Group presents fair value of 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.

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

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

March 31, 2021

	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	$26,856	$18,987	$2,620	$1,857	$50,320
Foreign exchange contracts in a liability position	(2,620)	(1,857)	(2,620)	(1,860)	(8,957)
Net asset (liability)	**$24,236**	**$17,130**	**$-**	**($3)**	**$41,363**
Derivatives not designated as hedging instruments:					
Foreign exchange contracts in an asset position	$2,688	$-	$944	$-	$3,632
Foreign exchange contracts in a liability position	(944)	-	(1,219)	-	(2,163)
Net asset (liability)	**$1,744**	**$-**	**($275)**	**$-**	**$1,469**
Total Derivatives at fair value	**$25,980**	**$17,130**	**($275)**	**($3)**	**$42,832**

June 30, 2021

	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	$21,152	$16,626	$2,218	$1,439	$41,435
Foreign exchange contracts in a liability position	(2,218)	(1,439)	(2,218)	(1,471)	(7,346)
Net asset (liability)	**$18,934**	**$15,187**	**$-**	**($32)**	**$34,089**
Derivatives not designated as hedging instruments:					
Foreign exchange contracts in an asset position	$4,376	$-	$3,274	$-	$7,650
Foreign exchange contracts in a liability position	(3,274)	-	(5,348)	-	(8,622)
Net asset (liability)	**$1,102**	**$-**	**($2,074)**	**$-**	**($972)**
Total Derivatives at fair value	**$20,036**	**$15,187**	**($2,074)**	**($32)**	**$33,117**

The following tables set forth the fair value of derivative instruments included in the consolidated balance sheets as on March 31, 2021 and June 30, 2021:

Derivatives designated as hedging instruments:

	March 31, 2021	June 30, 2021
Unrealized gain on financial instruments classified under current assets	$24,236	$18,934
Unrealized gain on financial instruments classified under non current assets	17,130	15,187
Unrealized loss on financial instruments classified under non-current liabilities	(3)	(32)
	$41,363	**$34,089**

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

Derivatives not designated as hedging instruments:

	March 31, 2021	June 30, 2021
Unrealized gain on financial instruments classified under current assets	$1,744	$1,102
Unrealized loss on financial instruments classified under current liabilities	(275)	(2,074)
	$1,469	**($972)**

The following table summarizes the activities in other comprehensive income (loss) ('OCI') and their effects on financial performance during the three months ended June 30, 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	$17,501	Other Income (Expense),net	($1,384)	Other Income (Expense),net	Nil
Interest rate swap contracts	($657)	Finance cost	($257)	Finance cost	Nil
	$16,844		**($1,641)**		**Nil**

Derivatives not designated as hedging instruments	Location of gain or (loss) recognized in statement of income on derivatives	Amount of gain or (loss) recognized in statement of income on derivatives
Foreign exchange contracts	Other income (expense),net	$8,088

The following table summarizes the activities in other comprehensive income (loss) ('OCI') and their effects on financial performance during the three months ended June 30, 2021:

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	($1,008)	Other Income (Expense),net	$5,736	Other Income (Expense),net	Nil
	($1,008)		**$5,736**		**Nil**

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

Derivatives not designated as hedging instruments	Location of gain or (loss) recognized in statement of income on derivatives	Amount of gain or (loss) recognized in statement of income on derivatives
Foreign exchange contracts	Other income (expense),net	($2,007)

The following table summarizes the activity in 'Other comprehensive income (loss)' within equity related to all derivatives classified as cash flow hedges for the three months ended June 30, 2020 and 2021, respectively:

	June 30, 2020	**June 30, 2021**
Balance as at the beginning of the period (before tax)	($49,390)	$38,520
Unrealized gain (loss) on cash flow hedging derivatives during the period	16,844	(1,008)
Net loss (gain) reclassified into statement of income on occurrence of hedged transactions	1,641	(5,736)
Effect of exchange rate fluctuations	(88)	(632)
Balance as at the end of the period (before tax)	**($30,993)**	**$31,144**
Tax (expense) benefit	5,714	(10,883)
	($25,279)	**$20,261**

As of June 30, 2021, the estimated net amount of existing gain that is expected to be reclassified into the income statement from OCI within the next twelve months is $16,071.

11. OTHER CURRENT ASSETS

As of March 31, 2021 and June 30, 2021, other current assets comprise the following:

	March 31, 2021	**June 30, 2021**
Prepaid expenses	$175,271	$184,462
Interest receivable	30,491	32,749
Prepaid/advance taxes	17,969	13,535
Deposits	9,906	9,532
Deferred contract cost	95,710	99,163
Contract assets	45,226	52,556
Employee receivables	4,785	3,602
Derivative financial instruments	25,980	20,036
Advance to suppliers	12,974	9,387
Finance lease receivable	151,293	153,769
Restricted cash	1,521	1,002
Others	104,822	92,752
	$675,948	**$672,545**

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

12. OTHER ASSETS

As of March 31, 2021 and June 30, 2021, other assets comprise the following:

	March 31, 2021	June 30, 2021
Security deposits	$34,651	$34,027
Deferred contract cost	190,851	191,231
Unbilled receivables	151,751	150,800
Prepaid expenses	44,214	39,751
Derivative financial instruments	17,130	15,187
Finance lease receivable	161,057	144,554
Restricted cash	162	25
Others	420	710
	$600,236	**$576,285**

13. DEBTS

SHORT TERM BORROWINGS

The Group has unsecured short term loan amounting to $61 and Nil as of March 31, 2021 and June 30, 2021, respectively at effective interest rates of 5.70% and Nil respectively.

LONG TERM DEBT

	March 31, 2021	June 30, 2021
From banks	$39,088	$36,079
1.375% senior notes	495,274	495,504
Less: Current portion	(10,798)	(8,352)
	$523,564	**$523,231**

The scheduled principal repayments are as follows:

	June 30, 2021
Within one year	$8,352
One to two years	13,210
Two to three years	12,845
Three to five years	497,176
	$531,583

The Group's borrowings are subject to certain financial and non financial covenants. At June 30, 2021, 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 $24,099 and $23,703 as of March 31, 2021 and June 30, 2021, respectively, at effective interest rates of 6.9% to 7.0% and 6.9% respectively.

Term loans of $6,613 and $6,369 as of March 31, 2021 and June 30, 2021, respectively, at effective interest rates of 8.0% to 9.7% and secured by hypothecation of vehicles with a gross book value of $17,683 and $17,264 as of March 31, 2021 and June 30, 2021, respectively.

The Group has outstanding multi-option revolving credit facility from bank of $8,376 and $6,007 as of March 31, 2021 and June 30, 2021, respectively, secured against assets of one of its subsidiary at interest rates of 0.73% p.a.

USD $500,000 1.375% senior notes

On March 10, 2021, the Group issued USD 500,000 unsecured notes due 2026 (the “notes”). The notes bear interest at a rate of 1.375% per annum and will mature on March 10, 2026. Interest on the notes will be paid semi-annually on March 10 and September 10 of each year, commencing from September 10, 2021. The notes are listed on Singapore Exchange Securities Trading Limited (SGX-ST).

The notes were issued at the discount price of 99.510% against par value and have an effective interest rate of 1.58% after considering the issue expenses and discount of $4,805.

14. OTHER CURRENT LIABILITIES

As of March 31, 2021 and June 30, 2021, other current liabilities comprise the following:

	March 31, 2021	June 30, 2021
Advances from customers	$43,703	$37,765
Sales tax and other taxes payable	122,714	124,120
Accrued liabilities and expenses	504,961	492,686
Due to related parties	1,557	838
Derivative financial instruments	275	2,074
Deferred consideration	49,659	50,000
Others	44,480	44,017
	$767,349	**$751,500**

15. OTHER LIABILITIES

As of March 31, 2021 and June 30, 2021, other liabilities comprise the following:

	March 31, 2021	June 30, 2021
Accrued liabilities and expenses	$3,988	$3,870
Derivative financial instruments	3	32
Others	64,889	55,676
	$68,880	**$59,578**

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

16. 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 June 30, 2021 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.

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.

Change in Authorised Share capital

During the year ended March 31, 2021, pursuant to the Scheme of amalgamation effective July 13, 2020 between the Company and its four wholly owned subsidiaries, the authorised shares of the erstwhile Transferor Companies have been clubbed with the authorised shares of the Company. Consequently, as of March 31, 2021, the authorised share capital of the Company has increased to 3,017,000,000 equity shares of face value of ₹2 each.

17. OTHER INCOME (EXPENSES), NET

For the three months ended June 30, 2020 and 2021, other income (expenses), net consist of:

	June 30, 2020	**June 30, 2021**
Interest income	$19,421	$23,797
Gain on sale of investment securities and other investments, net	5,804	2,813
Foreign exchange gain (loss), net	33	5,510
Gain (loss) on sale of property and equipment	14,378	(116)
Miscellaneous income	682	285
Other income, net	**$40,318**	**$32,289**

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

18. INCOME TAXES

The effective tax rate (ETR) for the Group for the three months ended June 30, 2020 and 2021 is 24.03% and 21.68%, respectively. ETR during the three months ended June 30,2021 is lower primarily due to the conclusion of an uncertain tax position in favor of the Company.

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

	March 31, 2021	June 30, 2021
Balance at the beginning of the year	132,894	249,769
Increase due to tax position taken during the current year	103,243	-
Increase due to tax position taken during the prior years	39,964	8,861
Decrease due to tax position taken during the prior years	(30,889)	(26,259)
Effect of exchange rate fluctuations	4,557	(3,874)
Balance at the end of the year	**$249,769**	**$228,497**

19. EARNINGS PER SHARE

For the three months ended June 30, 2020 and 2021, 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):

	June 30, 2020	June 30, 2021
Weighted average number of equity shares outstanding used in computing basic EPS	2,713,665,096	2,713,665,096
Weighted average number of equity and equity equivalent shares outstanding used in computing diluted EPS	2,713,665,096	2,713,665,096

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

20. 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 $27 (` 2,000,000/-).

Net gratuity cost for the three months ended June 30, 2020 and 2021 comprise the following components:

	Three months ended June 30,	
	2020	**2021**
Service cost	$3,900	$5,200
Interest cost (net)	1,612	1,855
Expected return on plan assets	(46)	(48)
Amortization of unrecognized actuarial loss (gain)	15	106
Net gratuity cost	**$5,480**	**$7,113**

Pension

Certain foreign subsidiaries of the Company provide retirement benefit pension plans in accordance with the local laws.

Net pension cost for the three months ended June 30, 2020 and 2021 comprise the following components:

	Three months ended June 30,	
	2020	**2021**
Service cost	-	$45
Net pension cost	**$-**	**$45**

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.

Total contributions made by the Group in respect of this plan for the three months ended June 30, 2020 and 2021 are $5,535 and $9,379, respectively.

Total contributions made by the Group towards Employees Pension Scheme for the three months ended June 30, 2020 and 2021 are $4,698 and $5,371, 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 three months ended June 30, 2020 and 2021 are $260 and $346, respectively.

Others

Total contributions made by the Group in respect of other foreign defined contribution plans for the three months ended June 30, 2020 and, 2021 are $23,571, and $23,244, respectively.

21. COMMITMENTS AND CONTIGENCIES

Capital commitments

As of June 30, 2021, the Group had contractual commitments for capital expenditure of $72,078.

Other Contingencies

a) The Indian Parliament has approved the Code on Social Security, 2020 which would impact the contributions by the group towards Provident Fund and Gratuity. The effective date from which the changes are applicable is yet to be notified and the final rules are yet to be framed. The Group will carry out an evaluation of the impact and record the same in the financial statements in the period in which the Code becomes effective and the related rules are published.

b) 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 $17,893 (`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.

c) 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 June 30, 2021.

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

22. 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 assessing performance.

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.

Inter segment revenue primarily relates to software sourced internally from Products & Platform Segment by other segments for providing services to end customers.

Assets and liabilities are not identified to any reportable segments, since these are increasingly 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.

The Group, during the three months period ended June 30,2021, changed the segment classification for certain products business which were earlier reported as part of Engineering and R&D Services to Products & Platforms segment. Impact of this change is immaterial for operating results of both the segments. Prior period figures have also been restated to conform to current period composition of the operating segments.

Information on reportable segments for the three months ended June 30, 2020 is as follows:

	IT and Business Services	**Engineering and R&D services**	**Products & Platforms**	**Total**
Revenue	$1,652,596	$372,537	$330,412	$2,355,545
Less:Inter segment revenue	-	-	-	-
Revenue from external customers	**$1,652,596**	**$372,537**	**$330,412**	**$2,355,545**
Segment earnings	**$310,233**	**$74,147**	**$99,159**	**$483,539**

Information on reportable segments for the three months ended June 30, 2021 is as follows:

	IT and Business Services	**Engineering and R&D services**	**Products & Platforms**	**Total**
Revenue	$1,947,344	$416,807	$356,105	$2,720,256
Less:Inter segment revenue	-	-	$677	$677
Revenue from external customers	**$1,947,344**	**$416,807**	**$355,428**	**$2,719,579**
Segment earnings	**$365,533**	**$83,240**	**$84,159**	**$532,932**

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

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:

	Three months ended	
	June 30, 2020	**June 30, 2021**
Segment earnings	$483,539	$532,932
Foreign exchange gain (loss)	33	5,510
Finance cost	(13,153)	(6,101)
Other income, net	40,285	26,779
Income before income taxes	**$510,704**	**$559,120**

23. DISAGGREGATE REVENUE INFORMATION

The table below presents disaggregated revenue from contracts with the customers for the three months ended June 30, 2020 and 2021, respectively by geography and contract type.

Revenues by geography

Group operates out of various geographies and America and Europe constitute major portion of revenue accounting for over 57% and 27% and 56% and 27% for the three months period ended June 30, 2020 and 2021 respectively, rest of revenue is generated by various other geographies. 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.

Revenues by contract type

	Three months ended June 30,	
	2020	**2021**
Fixed price	$1,567,419	$1,807,914
Time and material	788,126	911,665
Total	**$2,355,545**	**$2,719,579**

24. FAIR VALUE MEASUREMENT

The Group records certain 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:

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.

(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, 2021 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	$397,821	$397,821	-	-
Investment securities, available for sale				
Debt linked mutual funds	$140,059	$140,059	-	-
Corporate debt securities	$786,347	-	$786,347	-
Other Investments	$5,745	-	-	$5,745
Derivative financial instruments	$43,110	-	$43,110	-
Liabilities				
Derivative financial instruments	$278	-	$278	-

The following table discloses the assets and liabilities measured at fair value on a recurring basis as of June 30, 2021 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	$73,269	$73,269	-	-
Investment securities, available for sale				
Debt linked mutual funds	$430,522	$430,522	-	-
Corporate debt securities	$578,071	-	$578,071	-
Other Investments	$5,968	-	-	$5,968
Derivative financial instruments	$35,223	-	$35,223	-
Liabilities				
Derivative financial instruments	$2,106	-	$2,106	-

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 three months ended June 30, 2020 and 2021.

	June 30, 2020	**June 30, 2021**
Opening balance	**$729**	**$-**
Contingent consideration payable in connection with acquisitions	-	-
Payments	(818)	-
Finance cost	94	-
Effect of exchange fluctuations	(5)	-
Closing balance	**$-**	**$-**

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

The following table provides a roll-forward of the Other investments categorized as level 3 in the fair value hierarchy for the three months ended June 30, 2020 and 2021.

	June 30, 2020	June 30, 2021
Opening balance	**$5,145**	**$5,745**
Additional investments	-	190
Unrealized gain (loss) on fair value changes	-	-
Effect of exchange fluctuations	(31)	32
Closing balance	**$5,114**	**$5,968**

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 10 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.

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

25. 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.

	Three Months ended June 30	
	2020	2021
Unrealized gain on securities available for sale:		
Opening balance (net of tax)	$1,615	$3,192
Unrealized gains	7,271	100
Reclassification adjustments into other (income) expenses, net	(4,188)	(1,553)
Income tax benefit (expense)	(1,142)	493
Effect of exchange fluctuations	(1)	26
Closing balance (net of tax)	**$3,555**	**$2,258**
Unrealized gain (loss) on cash flow hegdes:		
Opening balance (net of tax)	($40,545)	$25,059
Unrealized gain (loss)	16,844	(1,008)
Reclassification adjustments into other (income) expenses, net	1,641	(5,736)
Income tax benefit (expense)	(3,131)	2,578
Effect of exchange fluctuations	(88)	(632)
Closing balance (net of tax)	**($25,279)**	**$20,261**
Actuarial gain on defined benefit plan:		
Opening balance (net of tax)	($2,626)	($2,706)
Actuarial gain (loss)	-	67
Income tax benefit (expense)	(66)	-
Effect of exchange fluctuations	(5)	2
Closing balance (net of tax)	**($2,697)**	**($2,637)**
Foreign currency translation loss:		
Opening balance	($1,385,138)	($1,103,903)
Foreign currency translation	36,533	(66,778)
Closing balance	**($1,348,605)**	**($1,170,681)**

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

26. COMPONENTS OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The components of accumulated other comprehensive loss at March 31, 2021 and June 30, 2021 are as follows:

	March 31,2021	June 30, 2021
Unrealized gain on securities available for sale	$3,192	$2,258
Unrealized gain (loss) on cash flow hedges	25,059	20,261
Unrealized (loss) on defined benefit plan	(2,706)	(2,637)
Foreign currency translation	(1,103,903)	(1,170,681)
	($1,078,358)	**($1,150,799)**

27. SUBSEQUENT EVENTS

a) On July 19, 2021, the Group announced an interim dividend of ` 6 per share amounting to $219,054 (`16,282 million).

b) The Group has evaluated all the subsequent events through July 19, 2021, 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.