HCL Comnet Limited

Financial Statements

Years ended 31 March 2018 and 2017

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Golf View Corporate Tower - B
Sector - 42, Sector Road
Gurugram - 122 002, Haryana, India
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INDEPENDENT AUDITOR'S REPORT

To the Members of HCL Comnet Limited

Report on the Ind AS Financial Statements

We have audited the accompanying Ind AS financial statements of HCL Comnet Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these Ind AS financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Ind AS financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

S.R. Batliboi & Associates LLP Gurugram

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2018, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure 1" a statement on the matters specified in paragraphs 3 and 4 of the Order.

2. As required by section 143 (3) of the Act, we report that:

(a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

(b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

(c) The Balance Sheet, Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;

(d) In our opinion, the aforesaid Ind AS financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;

(e) On the basis of written representations received from the directors as on March 31, 2018, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018, from being appointed as a director in terms of section 164 (2) of the Act;

(f) With respect to the adequacy of the internal financial controls over financial reporting of the Company with reference to these Ind AS financial statements and the operating effectiveness of such controls, refer to our separate Report dated June 12, 2018 in "Annexure 2" to this report;

(g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

   i. The Company has disclosed the impact of pending litigations on its financial position in its Ind AS financial statements;

   ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts;

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Gurugram

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company;

For **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

per Yogesh Midha
Partner
Membership Number: 094941

S.R. Batliboi & Associates LLP * Gurugram *

Place of Signature: Gurugram
Date: June 12, 2018

Annexure 1 referred to in paragraph 1 of the section on "Report on Other Legal and Regulatory Requirements" of our report of even date
Re: HCL Comnet Limited (the Company)

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

(c) According to the information and explanations given by the management, there are no immovable properties, included in property, plant and equipment of the Company and accordingly, the requirements under paragraph 3(i)(c) of the Order are not applicable to the Company.

(ii) The management has conducted physical verification of inventory at reasonable intervals during the year and no material discrepancies were noticed on such physical verification.

(iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii)(a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.

(iv) In our opinion and according to the information and explanations given to us, provisions of section 186 of the Companies Act 2013 in respect of investment made has been complied with by the Company. In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities given in respect of which provisions of section 185 of the Companies Act 2013 are applicable and hence not commented upon.

(v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.

(vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under Section 148(1) of the Companies Act, 2013, for the products/services of the Company.

(vii) (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, goods and service tax, duty of custom, value added tax, cess and other statutory dues have generally been regularly deposited with the appropriate authorities though there has been a slight delay in a few cases. The provisions relating to duty of excise are not applicable to the Company.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, goods and service tax, sales-tax, duty of custom, value added tax, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

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Gurugram

(c) According to the information and explanation given to us, except for following, there are no dues of income-tax, sales-tax, service tax, duty of custom, value added tax and cess which have not been deposited on account of any dispute:

Name of the statute	Nature of the dues	Amount	Period to which the amount relates	Forum where the dispute is pending
Income Tax 1961	Income Tax	36,701,161	2005-06	Delhi High Court
Income Tax 1961	Income Tax	130,580,683	2014-15	Commissioner of Income Tax (Appeals)
Income Tax 1961	Income Tax	13,624,920	2010-11	Income tax Appellate Tribunal
Finance Act 1994, read with Service Tax Rules,1994	Service Tax	15,510,635	2013-14	Commissioner (Appeals)
Finance Act 1994, read with Service Tax Rules,1994	Service Tax	1,70,69,489	2007-10	Allahabad High Court
Custom Act, 1962	Duty of Custom	27,623,539	2014-16	Office of the Commissioner of Customs
Central Sales Tax	Sales Tax	1,558,162	2009-10	West Bengal Commercial Tax Appellate & Revisional Board
Central Sales Tax	Sales Tax	578,723	2010-11	West Bengal Commercial Tax Appellate & Revisional Board
West Bengal Value added Tax 2003	Value added Tax	1,753,659	2010-11	West Bengal Commercial Tax Appellate & Revisional Board
West Bengal Value added Tax 2003	Value added Tax	1,558,239	2012-13	West Bengal Commercial Tax Appellate & Revisional Board
Kerala Value Added Tax Act, 2003	Value added Tax	2,308,234	2011-12	Deputy Commissioner (Appeals) Ernakulum, Kerala
West Bengal value added tax act 2003	Value added Tax	6,831,907	2014-15	West Bengal Commercial Tax Appellate & Revisional Board
Central Sales Tax 1956	Sales Tax	15,471,145	2014-15	West Bengal Commercial Tax Appellate & Revisional Board
UP Value Added Tax, 2008	Value added Tax	844,344	2013-14	Deputy Commissioner Assessment, Noida

Above amount represents total demand inclusive of interest .Total amount adjusted in respect of Income tax is INR 13,624,920 and deposited in respect of duty of custom is INR 1,540,410.

S.R. Batliboi & Associates LLP Gurugram

(viii) In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of loans or borrowing to a bank. The Company did not have any outstanding loans or borrowing dues in respect of financial institution or government or dues to debenture holders.

(ix) According to the information and explanations given by the management, the Company has not raised any money way of initial public offer / further public offer / debt instruments hence, reporting under clause is not applicable to the Company and hence not commented upon. In our opinion and according to information and explanations given by the management, term loans were applied for the purpose for which they were raised.

(x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or no fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.

(xi) According to the information and explanations given by the management, the provisions of section 197 read with Schedule V of the Act are not applicable to the Company and hence reporting under clause 3(xi) are not applicable and hence not commented upon.

(xii) In our opinion, the Company is not a nidhi Company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.

(xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with Section 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.

(xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) are not applicable to the Company and, not commented upon.

(xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of Companies Act, 2013.

(xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm registration number: 101049W/E300004

per Yogesh Midha
Partner
Membership Number: 094941

S.R. Batliboi & Associates LLP * Gurugram *

Place: Gurugram
Date: June 12, 2018

ANNEXURE 2 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF HCL COMNET LIMITED

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of HCL Comnet Limited ("the Company") as of March 31, 2018 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting with reference to these financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting with reference to these financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting with reference to these financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls over financial reporting with reference to these financial statements.

S.R. Batliboi & Associates LLP Gurugram *

Meaning of Internal Financial Controls Over Financial Reporting With Reference to these Financial Statements

A company's internal financial control over financial reporting with reference to these financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting with reference to these financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting With Reference to these Financial Statements

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

Opinion

In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting with reference to these financial statements and such internal financial controls over financial reporting with reference to these financial statements were operating effectively as at March 31, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

per Yogesh Midha
Partner
Membership Number: 094941

S.R. Batliboi & Associates LLP * Gurugram *

Place of Signature: Gurugram
Date: June 12, 2018

HCL Comnet Limited
Balance Sheet as at 31 March 2018
(All amounts in lakhs of ₹)

	Note No.	As at 31 March 2018	As at 31 March 2017
I. ASSETS			
(1) Non-current assets			
(a) Property, plant and equipment	2.1	1,351	1,642
(b) Capital work in progress		-	7
(c) Other intangible assets	2.2	45	41
(d) Financial Assets			
(i) Investments	2.3	235	-
(ii) Others	2.4	2,085	2,988
(e) Deferred tax assets (net)	2.23	3,631	-
(f) Other non-current assets	2.5	1,614	3,183
(2) Current assets			
(a) Inventories	2.6	637	3,200
(b) Financial Assets			
(i) Investments	2.3	13,108	12,694
(ii) Trade receivables	2.7	7,020	14,887
(iii) Cash and cash equivalents	2.8	1,695	777
(iv) Others	2.4	2,201	2,304
(c) Current tax assets		8,042	3,329
(d) Other current assets	2.9	3,764	5,507
TOTAL ASSETS		**45,428**	**50,559**
II. EQUITY			
(a) Equity chare capital	2.10	95	95
(b) Other equity		26,316	19,198
TOTAL EQUITY		26,411	19,293
III. LIABILITIES			
(1) Non - current liabilities			
(a) Financial liabilities			
(i) Borrowings	2.11	920	1,523
(b) Provisions	2.12	630	914
(c) Other non-current liabilities	2.13	867	2,705
(2) Current liabilities			
(a) Financial Liabilities			
(i) Trade payables	2.14	1,295	3,038
(ii) Others	2.15	8,149	12,188
(b) Provisions	2.12	213	180
(c) Other current liabilities	2.16	6,943	10,718
TOTAL EQUITY AND LIABILITIES		**45,428**	**50,559**
Summary of significant accounting policies	1		

The accompanying notes are an integral part of the financial statements

As per our report of even date

FOR S. R. BATLIBOI & ASSOCIATES LLP
ICAI Firm Registration Number : 101049W/E300004
Chartered Accountants

per Yogesh Midha
Partner
Membership Number: 094941

Gurugram, India
Date: 12 June 2018

S.R. Batliboi & Associates LLP * Gurugram *

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

Prahlad Rai Bansal
Director

Manish Anand
Director

Noida (UP), India
Date:12 June 2018

HCL Comnet Limited
Statement of Profit and Loss for the year ended 31 March 2018
(All amounts in lakhs of ₹)

		Note No.	Year ended 31 March 2018	Year ended 31 March 2017
I	**Revenue**			
	Revenue from operations	2.17	31,060	46,255
	Other income	2.18	1,885	406
	Total income		**32,945**	**46,661**
II	**Expenses**			
	Purchase of stock-in-trade		378	9,832
	Changes in inventories of stock-in-trade	2.19	2,556	994
	Employee benefits expense	2.20	11,474	13,994
	Finance costs	2.21	383	278
	Depreciation and amortization expense	2.1 & 2.2	449	416
	Cost of network, installation and other services		10,169	14,028
	Other expenses	2.22	3,554	7,891
	Total expenses		**28,963**	**47,433**
III	**Profit/(loss) before tax**		**3,982**	**(772)**
IV	**Tax expense**	2.23		
	Current tax		621	(435)
	Deferred tax charge/ (credit)		(3,695)	4,276
	Total tax expense		(3,074)	3,841
V	**Profit/(loss) for the year**		**7,056**	**(4,613)**
VI	**Other comprehensive income**			
	Items that will not be reclassified to statement of profit or loss		126	9
	Income tax on items that will not be reclassified to statement of profit or loss		(64)	17
	Total other comprehensive income	2.24	**62**	**26**
VII	**Total Comprehensive Income for the year**		**7,118**	**(4,587)**
	Earnings per equity share of ₹ 10 each			
	Basic (in ₹)		742.82	(485.59)
	Diluted (in ₹)		742.82	(485.59)
	Summary of significant accounting policies	1		

The accompanying notes are an integral part of the financial statements

As per our report of even date

FOR S. R. BATLIBOI & ASSOCIATES LLP
ICAI Firm Registration Number : 101049W/E300004
Chartered Accountants

per Yogesh Midha
Partner
Membership Number: 094941

Gurugram, India
Date: 12 June 2018

S.R. Batliboi & Associates LLP * Gurugram *

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

Prahlad Rai Bansal
Director

Manish Anand
Director

Noida (UP), India
Date:12 June 2018

HCL Comnet Limited
Statement of Changes in Equity for the year ended 31 March 2018
(All amounts in lakhs of ₹ except share data and as stated otherwise)

	Equity share capital		Other equity		
			Reserves and Surplus		
	Shares	Share capital	Retained earnings	Securities premium	Total other equity
Balance as at 1 April 2016	949,900	95	18,386	5,399	23,785
(Loss) for the year	-	-	(4,613)	-	(4,613)
Other comprehensive income	-	-	26	-	26
Total comprehensive income for the year	-	-	(4,587)	-	(4,587)
Balance as at 31 March 2017	949,900	95	13,799	5,399	19,198
Balance as at 1 April 2017	949,900		13,799	5,399	19,198
Profit/ (Loss) for the year	-	-	7,056	-	7,056
Other comprehensive income	-	-	62	-	62
Total comprehensive income for the year	-	-	7,118	-	7,118
Balance as at 31 March 2018	949,900	95	20,917	5,399	26,316

Refer note 1 for summary of significant accounting policies

The accompanying notes are an integral part of financial statements

As per our report of even date

FOR S. R. BATLIBOI & ASSOCIATES LLP
ICAI Firm Registration Number : 101049W/E300004
Chartered Accountants

per Yogesh Midha
Partner
Membership Number: 094941

Gurugram India
Date: 12 June 2018

S.R. Batliboi & Associates LLP * Gurugram *

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

Prahlad Rai Bansal
Director

Manish Anand
Director

Noida (UP), India
Date: 12 June 2018

HCL Comnet Limited
Statement of cash flows
(All amounts in lakhs of ₹)

	Year ended 31 March 2018	Year ended 31 March 2017
A. Cash flows from operating activities		
Profit/(loss) before tax	3,982	(772)
Adjustment for:		
Depreciation and amortization	449	416
Interest income	(41)	(60)
Income on investments carried at fair value through profit and loss	(1,020)	(278)
Interest expenses	6	7
Loss on sale of property, plant and equipment (net)	10	0
Provision for doubtful debts / bad debt written off, net	(798)	2,978
Other non-cash (benefits) charges (net)	22	18
Operating profit before working capital changes	**2,610**	**2,309**
Movement in Working Capital		
(Increase) decrease in trade receivables	8,665	3,534
(Increase) decrease in inventories	2,563	1,038
(Increase) decrease in other financial assets and other assets	4,044	3,391
Increase (decrease) in trade payables	(1,743)	166
Increase (decrease) in provisions, other financial liabilities and other liabilities	(9,528)	(4,328)
Cash generated from operations	**6,611**	**6,110**
Direct taxes paid (net of refunds)	(5,330)	2,398
Net cash flow from operating activities (A)	**1,281**	**8,508**
B. Cash flows from investing activities		
Investments in bank deposits	-	(243)
Proceeds from bank deposits on maturity	243	2,398
Purchase of investments in securities	(39,391)	(52,267)
Proceeds from sale of investments in securities	39,197	42,378
Purchase of equity shares of HCL Training and Staffing Services Private Limited	(235)	-
Proceeds from sale of investment in preference shares	800	-
Purchase of property, plant and equipment, including capital work in progress and capital advances	(213)	(1,162)
Proceeds from sale of property, plant and equipment	12	3
Interest received	41	108
Taxes paid	(5)	-
Net cash flow from / (used in) investing activities (B)	**449**	**(8,785)**
C. Cash flows from financing activities		
Repayment of long term borrowings	(811)	887
Proceeds from short term borrowings	5	(810)
Interest paid	(6)	(7)
Net cash flow from/ (used) in financing activities (C)	**(812)**	**70**
Net increase / (decrease) in cash and cash equivalents (A+B+C)	919	(207)
Cash and cash equivalents at the beginning of the year	777	983
Cash and cash equivalents at the end of the year as per note 2.8	**1,695**	**777**
Summary of significant accounting policies (Note 1)		

As per our report of even date.

FOR S. R. BATLIBOI & ASSOCIATES LLP
ICAI Firm Registration Number : 101049W/E300004
Chartered Accountants

per Yogesh Midha
Partner
Membership Number: 094941

Gurugram, India
Date: 12 June 2018

S.R. Batliboi & Associates LLP
Gurugram

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

Prahlad Rai Bansal
Director

Manish Anand
Director

Noida (UP), India
Date:12 June 2018

ORGANIZATION AND NATURE OF OPERATIONS

HCL Comnet Limited (hereinafter referred to as "the Company" was incorporated under the provisions of the Companies Act applicable in India in August 2001, having its registered office at 806, Sidharth, 96, Nehru Place, New Delhi -110019 and focuses on providing technology services. The Company is providing data communication services which include trading of satellite and non satellite based communication equipments such as VSAT, Routers, switches, Modems etc, application operation services and services related to installation and maintenance of networking equipment. The Company is providing the services across Defense, Financial services, Government, Telecom, PSU's, Energy and utilities.

The financial statements for the year ended 31 March 2018 were approved and authorized for issue by the Board of Directors on 12 June 2018.

1. Summary of Significant accounting policies

a) Basis of preparation

The financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time).

The Company uses the Indian Rupee ('₹') as its reporting currency.

These financial statements have been prepared under the historical cost convention on an accrual and going concern basis except for certain financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments)

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous year.

b) Use of estimates

The preparation of financial statements in conformity with Ind AS requires the management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and other comprehensive income (OCI) that are reported and disclosed in the financial statements and accompanying notes. These estimates are based on the management's best knowledge of current events, historical experience, actions that the Company may undertake in the future and on various other assumptions that are believed to be reasonable under the circumstances. Significant estimates and assumptions are used for, but not limited to, accounting for costs expected to be incurred to complete performance under fixed price projects, allowance for uncollectible accounts receivables, accrual of warranty costs, income taxes, valuation of share-based compensation, future obligations under employee benefit plans, the useful lives of property, plant and equipment, intangible assets, impairment of goodwill, and other contingencies and commitments. Changes in estimates are reflected in the financial statements in the year in which the changes are made. Actual results could differ from those estimates.

c) Foreign currency and translation

The financial statements of the Company are presented in Indian Rupee (₹) which is also the Company's functional currency.

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date of the transaction. Foreign-currency denominated monetary assets and liabilities are translated to the relevant functional currency at exchange rates in effect at the balance sheet date. Exchange differences arising on settlement or translation of monetary items are recognized in the statement of profit and loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of the initial transaction. Non-monetary

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assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined.

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

d) Fair value measurement

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

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

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

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

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

In accordance with Ind AS 113, assets and liabilities are to be measured based on the following valuation techniques:

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

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

c) Cost approach – Replacement cost method.

Certain assets are measured at fair value on a non-recurring basis. The assets consist primarily of non-financial assets such as intangible assets.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant who would use the asset in its highest and best use.

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e) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue from sale of goods and rendering of services is recognized when risk and reward of ownership have been transferred to the customer, the sale price is fixed or determinable and collectability is reasonably assured.

Revenue from sale of products is recognized when persuasive evidence of an arrangement exists, risk and reward of ownership has been transferred to the customer, the sales price is fixed or determinable and collectability is reasonably assured. Revenue from installation services is recognized when installation of networking equipment at customer site is completed and accepted by the customer. Revenue from maintenance services is recognized ratably over the period of the contract. Revenue from infrastructure management services comprise income from time-and-material, and fixed price contracts. Revenue with respect to time-and-material contracts is recognized as related services are performed. Revenue with respect to fixed price contracts is recognized in accordance with the percentage of completion method.

Warranty costs on sale of goods and services are accrued based on management estimates and historical data at the time those related revenues are recognized.

Unearned income arising in respect of maintenance services is calculated on the basis of unutilized period of service at the balance sheet date and represents revenue, which is expected to be earned in future periods in respect of these services.

Revenues are shown net of value added tax, goods and service tax and applicable discounts and allowances. The revenue is recognized net of discounts and allowances.

Interest on the deployment of surplus funds is recognized using the time-proportion method, based on interest rates implicit in the transaction. Commission and rent are recognized once the same are earned and accrued to the Company and dividend income is recognized when the right to receive the dividend is established.

f) Income taxes

Income tax expense comprises current and deferred income tax.

Income tax expense is recognized in the statement of profit and loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current income tax for current and prior periods is recognized at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Provision for income tax includes the impact of provisions established for uncertain income tax positions, as well as the related interest and penalties.

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

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

The effect of changes in tax rates on deferred income tax assets and liabilities is recognized as income or expense in the year that includes the enactment or the substantive enactment date. A deferred income tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilized.

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g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses if any. Cost comprises the purchase price and directly attributable cost of bringing the asset to its working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price. The Company identifies and determines separate useful lives for each major component of the property, plant and equipment, if they have a useful life that is materially different from that of the asset as a whole.

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

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

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

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

The management's estimates of the useful lives of various assets for computing depreciation are as follows:

Asset description	Asset life (in years)
Plant and equipment (including air conditioners, electrical installations)	10
Office equipment's	5
Computers and networking equipment	4-5
Furniture and fixtures	7
Vehicles – owned	5
Vehicles – leased	Over the period of lease or 5 years, whichever is lower

The useful lives as given above best represent the period over which the management expects to use these assets, based on technical assessment. The estimated useful lives for these assets are therefore different from the useful lives prescribed under Part C of Schedule II of the Companies Act 2013.

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

h) Intangibles assets

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit and loss.

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

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The intangible assets are amortized in proportion to the expected benefits over the estimated useful lives of the assets as mentioned below:

Asset description	Asset life (in years)
Software	3

i) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs also include exchange differences to the extent regarded as an adjustment to the borrowing costs.

j) Leases

Company as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. Finance leases are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the statement of profit and loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset or the lease term.

Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the year in which they are earned.

Leases in which the Company transfers substantially all the risk and benefits of ownership of the asset are classified as finance leases. Assets given under finance lease are recognized as a receivable at an amount equal to the net investment in the leased assets. After initial recognition, the Company apportions lease rentals between the principal repayment and interest income so as to achieve a constant periodic rate of return on the net investment outstanding in respect of the finance leases. The interest income is recognized in the statement of profit and loss. Initial direct costs such as legal cost, brokerage cost etc. are recognized immediately in the statement of profit and loss

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k) Inventory

Stock-in-trade, stores and spares are valued at the lower of the cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

Cost of stock-in-trade procured for specific projects is assigned by identifying individual costs of each item. Cost of stock in trade, that are interchangeable and not specific to any project and cost of stores and spare parts are determined using the weighted average cost formula.

l) Impairment of non-financial assets

Intangible assets and property, plant and equipment

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

m) Provisions

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

n) Retirement and other employee benefits

i. Provident fund: Employees of the Company receive benefits under the provident fund, a defined benefit plan. 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 Company or Government administered provident fund; while the balance contribution is made to the Government administered pension fund. For the contribution made by the Company to the provident fund trust managed by the Company, the Company has an obligation to fund any shortfall on the yield of the Trust's investments over the administered interest rates. The liability is actuarially determined (using the projected unit credit method) at the end of the year. 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 and other eligible market securities.

ii. In respect of superannuation, a defined contribution plan for applicable employees, the Company contributes to a scheme administered on its behalf by an insurance company and such contributions for each year of service rendered by the employees are charged to the statement of profit and loss. The Company has no further obligations to the superannuation plan beyond its contributions.

iii. Gratuity liability: The Company provides for gratuity, a defined benefit plan (the "Gratuity Plan") covering eligible employees. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's base salary and the tenure of employment (subject to a maximum of ₹ 20 lacs per employee). The liability is actuarially determined (using the projected unit credit method) at the end of each year. Actuarial gains/losses are recognized immediately in the balance sheet with a corresponding debit or credit to retained earnings through other comprehensive income in the year in which they occur.

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iv. Compensated absences: The employees of the Company are entitled to compensated absences which are both accumulating and non-accumulating in nature. The employees can carry forward up to the specified portion of the unutilized accumulated compensated absences and utilize it in future periods or receive cash at retirement or termination of employment. The expected cost of accumulating compensated absences is determined by actuarial valuation (using the projected unit credit method) based on the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the balance sheet date. The expense on non-accumulating compensated absences is recognized in the statement of profit and loss in the year in which the absences occur. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred.

v. State Plans: The contribution to State Plans, a defined contribution plan namely Employee State Insurance Fund and Employees' Pension Scheme for the Company are charged to the statement of profit and loss as and when employees render related services.

o) Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

All financial assets are recognized initially at fair value. Transaction costs that are directly attributable to the acquisition of financial assets (other than financial assets at fair value through profit or loss) are added to the fair value measured on initial recognition of financial asset. Purchase and sale of financial assets are accounted for at trade date.

Cash and short-term deposits
Cash and short-term deposits in the balance sheet comprise cash in banks and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

Financial instruments at amortized cost
A financial instrument is measured at the amortized cost if both the following conditions are met:
a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in other income in the statement of profit and loss. The losses arising from impairment are recognized in the statement of profit and loss. This category includes cash and bank balances, loans, unbilled revenue, trade and other receivables.

Financial instrument at Fair Value through Other Comprehensive Income (OCI)
A financial instrument is classified and measured at fair value through OCI if both of the following criteria are met:
a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
b) The asset's contractual cash flows represent solely payments of principal and interest.

Financial instruments included within the OCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in OCI. On derecognition of the asset, cumulative gain or loss previously recognized in OCI is reclassified from OCI to statement of profit and loss.

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Financial instrument at Fair Value through Profit and Loss
Any financial instrument, which does not meet the criteria for categorization at amortized cost or at fair value through other comprehensive income, is classified at fair value through profit and loss. Financial instruments included in the fair value through profit and loss category are measured at fair value with all changes recognized in the statement of profit and loss.

Derecognition of financial assets
A financial asset is primarily derecognized when the rights to receive cash flows from the asset have expired, or the Company has transferred its rights to receive cash flows from the asset.

Impairment of financial assets
The Company recognizes loss allowances using the expected credit loss (ECL) model for the financial assets which are not fair valued through profit and loss. Lifetime ECL allowance is recognized for trade receivables with no significant financing component. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month ECL, unless there has been a significant increase in credit risk from initial recognition in which case they are measured at lifetime ECL. The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date is recognized in the statement of profit and loss.

Financial liabilities

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.
The Company's financial liabilities include trade payables, borrowings including bank overdrafts and other payables.
After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest rate (EIR) method. Gains and losses are recognized in the statement of profit and loss when the liabilities are derecognized as well as through the EIR amortization process.

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

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

p) Earnings per share

Basic EPS amounts are computed by dividing the net profit attributable to the equity holders of the Company by the weighted average number of equity shares outstanding during the year.

Diluted EPS amounts are computed by dividing the net profit attributable to the equity holders of the Company by the weighted average number of equity shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares. The diluted potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares). Dilutive potential equity shares are deemed converted as at the beginning of the year, unless issued at a later date. Dilutive potential equity shares are determined independently for each year presented.

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q) Recently issued accounting pronouncements

On 28 March 2018, the Ministry of Corporate Affairs (MCA), notified Companies (Indian Accounting Standards) (Amendments) Rules, 2018, amending the following standards:

Appendix B to Ind AS 21, 'Foreign Currency Transactions and Advance Consideration'

The amendment clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration.

The Appendix is effective for annual periods beginning on or after 1 April 2018. However, since the Company's current practice is in line with the Interpretation, the Company does not expect any effect on its financial statements.

Ind AS 115, Revenue from Contract with Customers

Ind AS 115 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Ind AS 115 will supersede the current revenue recognition standard Ind AS 18 Revenue, Ind AS 11 Construction Contracts. The effective date for adoption of Ind AS 115 is financial periods beginning on or after April 1, 2018.

The core principle of Ind AS 115 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under Ind AS 115, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

The standard permits two possible methods of transition:

- Retrospective approach-Under this approach the standard will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8 - Accounting Policies, Changes in Accounting Estimates and Errors
- Retrospectively with cumulative effect of initially applying the standard recognized at the date of initial application (Cumulative catch - up approach)

The Company is currently evaluating the impact that the adoption of this new standard will have on its financial statements.

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

2. Notes to financial statements

2.1 Property, plant and equipment

The changes in the carrying value for the year ended 31 March 2018

	Plant and equipment	Office equipment	Computers	Furniture and fittings	Vehicles		Total
					Owned	Leased	
Gross block as at 1 April 2017	5,050	506	2,474	319	172	6	8,527
Additions	21	1	102	-	17	-	141
Disposals	3	62	32	48	46	-	191
Gross block as at 31 March 2018	**5,068**	**445**	**2,544**	**271**	**143**	**6**	**8,477**
Accumulated depreciation as at 1 April 2017	4,403	372	1,681	307	114	6	6,883
Charge for the year	82	8	295	3	24	-	412
Deduction/other adjustments	2	50	30	45	42	-	169
Accumulated depreciation as at 31 March 2018	**4,483**	**330**	**1,946**	**265**	**96**	**6**	**7,126**
Net block as at 31 March 2018	**585**	**115**	**598**	**6**	**47**	**-**	**1,351**

The changes in the carrying value for the year ended 31 March 2017

	Plant and equipment	Office equipment	Computers	Furniture and fittings	Vehicles		Total
					Owned	Leased	
Gross block as at 1 April 2016	5,046	506	1,948	319	144	6	7,969
Additions	7	5	544	1	32	-	589
Disposals	3	5	18	1	4	-	31
Gross block as at 31 March 2017	**5,050**	**506**	**2,474**	**319**	**172**	**6**	**8,527**
Accumulated depreciation as at 1 April 2016	4,327	357	1,451	305	92	6	6,538
Charge for the year	80	19	245	4	25	-	373
Deduction/other adjustments	3	5	15	1	4	-	28
Accumulated depreciation as at 31 March 2017	**4,403**	**372**	**1,681**	**307**	**114**	**6**	**6,883**
Net block as at 31 March 2017	**646**	**134**	**793**	**11**	**58**	**-**	**1,642**
Net Block as at 1 April 2016	**718**	**148**	**497**	**14**	**52**	**-**	**1,429**

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

2.2 Other intangible assets

The changes in the carrying value for the year ended 31 March 2018

	Software	Total
Gross block as at 1 April 2017	1,210	**1,210**
Additions	41	41
Disposals	-	-
Gross block as at 31 March 2018	**1,251**	**1,251**
Accumulated depreciation as at 1 April 2017	1,169	**1,169**
Charge for the year	37	37
Deduction/other adjustments	-	-
Accumulated depreciation as at 31 March 2018	**1,206**	**1,206**
Net block as at 31 March 2018	**45**	**45**

The changes in the carrying value for the year ended 31 March 2017

	Software	Total
Gross block as at 1 April 2016	1,179	**1,179**
Additions	31	31
Disposals	-	-
Gross block as at 31 March 2017	**1,210**	**1,210**
Accumulated depreciation as at 1 April 2016	1,126	**1,126**
Charge for the year	43	43
Deduction/other adjustments	-	-
Accumulated depreciation as at 31 March 2017	**1,169**	**1,169**
Net block as at 31 March 2017	**41**	**41**
Net block as at 1 April 2016	**52**	**52**

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HCL Comnet Limited

Notes to financial statements for the year ended 31 March 2018
(All amounts in lakhs of ₹ except share data and as stated otherwise)

2.3 Financial assets-investments

	As at	
	31 March 2018	31 March 2017
Financial assets		
Non-current		
Unquoted investments		
Equity investment in subsidiary company carried at cost (fully paid up)		
1,751,301 (31 March 2017, Nil) equity shares of ₹10 each in HCL Training and Staffing Services Private Limited (Refer note 1 below)	235	-
	235	-
Current		
Unquoted investments		
Investment in preference shares in fellow subsidiary company		
Nil (31 March 2017, 800,000) cumulative redeemable non-convertible preference shares of ₹ 100 each in HCL Comnet Systems and Services Limited (Refer note 2 below)	-	800
Carried at fair value through profit and loss		
Investment in mutual fund	13,108	11,894
	13,108	12,694
Total Investment - Financial assets	13,343	12,694
Aggregate amount of unquoted investments	13,343	12,694
Equity instruments carried at amortized cost	235	-
Investment in preference shares carried at amortized cost	-	800
Investments carried at fair value through profit and loss	13,108	11,894

Notes:

1. During the year, the Company has purchased the entire share capital of HCL Training and Staffing Services Private Limited for a total consideration of ₹ 235 lakhs from HCL Technologies Limited, the Holding Company.

2. During the year, the investment in cumulative redeemable non-convertible preference shares of ₹ 100 each in HCL Comnet Systems and Services Limited has been redeemed at par for ₹ 800 lakhs.

2.4 Other financial assets

	As at	
	31 March 2018	31 March 2017
Non - current		
Carried at amortized cost		
Bank deposits with more than 12 months maturity (refer note below)	8	251
Finance lease receivables (refer note 2.26 (ii))	1,985	2,627
Security deposits	92	110
	2,085	2,988
Current		
Interest receivable	5	5
Unbilled revenue	100	91
Unbilled revenue - related parties (refer note 2.28)	843	1,287
Security deposits	190	242
Finance lease receivables (refer note 2.26 (ii))	1063	679
	2,201	2,304

Note 1: Pledged with banks as security for guarantees ₹ 8 lakhs (31 March 2017, ₹251 lakhs)

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2.5 Other non - current assets

	As at	
	31 March 2018	31 March 2017
Unsecured considered good unless otherwise stated		
Capital advances	1	8
Advances other than capital advances		
Security deposits	115	114
Others		
Prepaid expenses	1,253	2,458
Deferred cost	245	603
	1,614	**3,183**

2.6 Inventories

	As at	
	31 March 2018	31 March 2017
Stock in trade [including goods in transit ₹ Nil (31 March 2017, ₹10 lakhs); stores and spares ₹6 lakhs(31 March 2017, ₹3 lakhs)]	637	3,200
	637	3,200

2.7 Trade receivables

	As at	
	31 March 2018	31 March 2017
Unsecured considered good	7,020	14,887
Unsecured considered doubtful	3,945	5,165
	10,965	20,052
Provision for doubtful receivables	(3,945)	(5,165)
	7,020	14,887

Note
Includes receivables from related parties amounting to ₹ 1,889 lakhs (31 March 2017, ₹3,868 lakhs)

2.8 Cash and bank balances

	As at	
	31 March 2018	31 March 2017
Balance with banks		
- in current accounts	1,693	777
Remittances in transit	2	-
	1,695	777

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2.9 Other current assets

	As at	
	31 March 2018	31 March 2017
Unsecured , considered good		
Advances other than capital advances		
Security deposits	75	131
Advances to related parties (Refer note 2.28)	230	143
Advances to suppliers	204	204
Other advances	24	18
Others		
Deferred cost	808	1,311
Prepaid expenses	2,316	3,287
Prepaid expenses - related parties (Refer note 2.28)	16	-
Goods and service tax receivable	14	-
SAD recoverable	77	413
	3,764	5,507
Unsecured , considered doubtful		
Advances to employees	81	82
Other advances	204	211
Less: Provision for doubtful advances	(285)	(293)
	3,764	5,507

2.10 Share capital

	As at	
	31 March 2018	31 March 2017
Authorized		
1,100,000 (31 March 2017, 1,100,000) equity shares of ₹ 10 each	110	110
Issued, subscribed and fully paid up		
949,900 (31 March 2017, 949,900) equity shares of ₹ 10 each	95	95

Terms/rights attached to equity shares

The Company has only one class of shares referred to as equity shares having a par value of ₹ 10/-. Each holder of equity shares is entitled to one vote per share.

In the event of liquidation of the Company, the holder of equity shares will be entitled to receive the remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

Reconciliation of the number of shares outstanding at the beginning and at the end of the financial year

	As at			
	31 March 2018		31 March 2017	
	No. of shares	₹ in lakhs	No. of shares	₹ in lakhs
Number of shares at the beginning	949,900	95	949,900	95
Add: Shares issued during the year	-	-	-	-
Number of shares at the end	949,900	95	949,900	95

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

Equity shares held by holding/ultimate holding company and/or their subsidiaries/associates

Out of equity shares issued by the Company, shares held by its holding company are as below:-

	As at			
	31 March 2018		31 March 2017	
	No. of shares	% holding in the class	No. of shares	% holding in the class
HCL Technologies Limited Equity shares of ₹ 10 each fully paid	949,900	100%	949,900	100%

Details of shareholders holding more than 5% shares in the company:-

	As at			
	31 March 2018		31 March 2017	
	No. of shares	% holding in the class	No. of shares	% holding in the class
Equity shares of ₹ 10 each fully paid				
HCL Technologies Limited, the holding company	949,900	100%	949,900	100%

As per the records of the Company, including its register of shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

There were no bonus shares issued, no shares issued for consideration other than cash and no shares bought back during the year (31 March 2017: nil)

Capital management

The primary objective of the Company's capital management is to support business continuity and growth of the Company while maximizing the shareholder value. The Company determines the capital requirement based on annual operating plans and long term and other strategic investment plans. The funding requirements are generally met through operating cash flows generated.

2.11 Borrowings

	Non - current		Current	
	As at		As at	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Secured				
From banks				
Long term loans (refer note 1 below)	26	32	15	19
Bank overdraft (refer note 2 below)	-	-	5	-
From others				
Other loans (refer note 3 below)	894	1,491	600	804
	920	1,523	620	823
Current maturity of long term borrowings and bank overdraft disclosed under Note 2.15 "Other financial liabilities"	-	-	(620)	(823)
	920	1,523	-	-

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Note:-

1. The Company has availed a term loan which is secured by hypothecation of vehicles of ₹ 115 lakhs (31 March 2017, ₹144 lakhs) at variable interest rates not exceeding interest rate of 10.5%. The same is repayable over a period of 5 years on monthly basis.

2. The Company has availed a bank overdraft which is secured by first pari passu charge on stock and book debts and second pari passu charge on movable fixed assets.

3. The other long term debts of ₹ 1,494 lakhs (31 March 2017, ₹2,295 lakhs) represents loan taken for purchase of plant and machinery and annual maintenance cost at interest rate of 0% p.a.. The loan is repayable till October, 2020 on quarterly/yearly rest.

2.12 Provisions

	As at	
	31 March 2018	31 March 2017
Non - Current		
Provision for employee benefits		
Provision for gratuity (refer note 2.29)	461	634
Provision for leave benefits	169	280
	630	**914**
Current		
Provision for employee benefits		
Provision for gratuity (refer note 2.29)	137	106
Provision for leave benefits	76	74
	213	**180**

2.13 Other non-current liabilities

	As at	
	31 March 2018	31 March 2017
Revenue received in advance	867	2,237
Deposits from customers	-	468
	867	**2,705**

2.14 Trade payables

	As at	
	31 March 2018	31 March 2017
Trade payables	688	2,812
Trade payables-related parties (refer note 2.28)	607	226
	1,295	**3,038**

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

2.15 Other financial liabilities

	As at	
	31 March 2018	31 March 2017
Current		
Carried at amortized cost		
Current maturity of long term borrowings	615	823
Deposits from customers	1,322	675
Accrued salaries and benefits		
- Employee bonuses accrued	445	620
- Other employee costs	421	388
Others		
- Bank overdraft	5	-
- Liabilities for expenses	4,300	5,099
- Liabilities for expenses-related parties (Refer note 2.28)	97	209
- Capital accounts payable	13	58
- Supplier credit	704	4,316
- Supplier credit- related parties (refer note 2.28)	227	-
	8,149	**12,188**

2.16 Other current liabilities

	As at	
	31 March 2018	31 March 2017
Revenue received in advance	3,934	6,970
Revenue received in advance – related parties (refer note 2.28)	67	324
Other advances		
- Advance received from customers	1,943	2,566
Others		
- Goods and Service tax payable	901	677
- Withholding and other taxes payable	98	181
	6,943	**10,718**

2.17 Revenue from operations

	Year ended	
	31 March 2018	31 March 2017
Sale of services	27,123	32,745
Sale of hardware and software	3,937	13,510
	31,060	**46,255**

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Notes to financial statements for the year ended 31 March 2018

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

2.18 Other income

	Year ended	
	31 March 2018	31 March 2017
Interest income		
- On fixed deposits	13	44
- On financial assets carried at amortized cost	27	16
Income on investments carried at fair value through profit and loss		
- Gains on fair value changes on mutual funds	132	47
- Profit on sale of mutual funds	888	231
Provision for doubtful debts written back including bad debts(net)	798	-
Exchange difference (net)	-	64
Miscellaneous income	27	4
	1,885	406

2.19 Changes in inventory of stock-in-trade

	Year ended	
	31 March 2018	31 March 2017
Opening stock	3,187	4,181
Closing stock	631	3,187
	2,556	994

2.20 Employee benefits expenses

	Year ended	
	31 March 2018	31 March 2017
Salaries, wages and bonus	10,730	13,191
Contribution to provident fund and other employee funds	652	677
Staff welfare expenses	92	126
	11,474	13,994

2.21 Finance cost

	Year ended	
	31 March 2018	31 March 2017
Interest		
- On loans from banks	6	7
- Others	366	237
Bank charges	11	34
	383	278

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

2.22 Other expenses

	Year ended	
	31 March 2018	31 March 2017
Rent	928	801
Power and fuel	93	205
Insurance	12	36
Repairs and maintenance		
- Plant and machinery	172	235
- Buildings	127	152
- Others	129	246
Communication costs	133	251
Travel and conveyance	1051	1,700
Legal and professional charges	142	247
Software license fee	336	204
Rates and taxes	20	108
Loss on sale of fixed assets	10	-
CSR expenditure	-	13
Exchange difference(net)	51	-
Provision for doubtful debts written off including bad debts(net)	-	2,978
Miscellaneous expenses	350	715
	3,554	7,891

2.23 Income taxes

	Year ended	
	31 March 2018	31 March 2017
Income tax charged to statement of profit and loss		
Current income tax	621	(435)
Deferred tax charge	(3,695)	4,276
	(3,074)	3,841
Income tax charged to other comprehensive income		
Expense(Benefit) on re-measurement of defined benefit plans	(64)	17
	(64)	17

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

	Year ended	
	31 March 2018	31 March 2017
Profit / (loss) before income tax	3,982	(772)
Statutory tax rate in India	34.61%	33.06%
Expected tax expense	1,378	-
Deferred tax assets written off	-	4,301
Income tax at lower /higher rates	(17)	-
Interest received on income tax refund	-	(435)
Adjustment of deferred tax of prior year	(4,445)	-
Others	10	(25)
Total taxes	(3,074)	3,841

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

Components of deferred tax assets and liabilities as at 31 March 2018

	Opening balance	Recognised in profit and loss	Recognised in / reclassified from OCI	Closing balance
Deferred tax assets				
Provision for doubtful debts	-	1,487	-	1,487
Accrued employee costs	-	84	-	84
Depreciation and amortization	-	982	-	982
Bonus	-	137	-	137
Gratuity	-	209	-	209
Others	-	608	-	608
MAT credit entitlement	-	262	-	262
Gross deferred tax assets(A)	**-**	**3,769**	**-**	**3,769**
Deferred tax liabilities				
Gratuity	-	-	64	64
Unrealized gain on mutual funds	-	64	-	64
Others	-	10	-	10
Gross deferred tax liabilities(B)	**-**	**74**	**64**	**138**
Net deferred tax assets (A-B)	**-**	**3,695**	**(64)**	**3,631**

Components of deferred tax assets and liabilities as at 31 March 2017

	Opening balance	Recognised in profit and loss	Recognised in / reclassified from OCI	Closing balance
Deferred tax assets				
Business losses	538	(538)	-	-
Provision for doubtful debts	1,783	(1,783)	-	-
Accrued employee costs	456	(456)	-	-
Depreciation and amortization	1,428	(1,428)	-	-
Others	84	(84)	-	-
Gross deferred tax assets(A)	**4,290**	**(4,290)**	**-**	**-**
Deferred tax liabilities				
Gratuity	17		(17)	-
Others	14	(14)	-	-
Gross deferred tax liabilities(B)	**31**	**(14)**	**(17)**	**-**
Net deferred tax assets (A-B)	**4,259**	**(4,276)**	**17**	**-**

During the previous year, the management reviewed and concluded that it is not probable to realize deferred tax assets in future and thus the deferred tax created in the books upto March'16 had been expensed off in the profit and loss account during the previous year. However, in the current year, taking into account the profitability of the Company, future projections and management belief that there will be enough taxable income to utilize the temporary differences, deferred tax assets has been reinstated in the books.

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2.24 Components of other comprehensive income

	Year ended	
	31 March 2018	31 March 2017
Items that will not be reclassified to statement of profit and loss		
Retained earnings (Actuarial gain relating to defined benefit plan)		
Opening balance(net of tax)	58	32
Actuarial gains	126	9
Income tax benefit (expense)	(64)	17
Closing balance (net of tax)	120	58

2.25 Earnings per share

	Year ended	
	31 March 2018	31 March 2017
Net profit (loss) as per statement of profit and loss for computation of EPS	7,056	(4,613)
Weighted average number of shares outstanding in calculating basic EPS	949,900	949,900
Weighted average number of shares outstanding in calculating dilutive EPS	949,900	949,900
Nominal value of equity shares (in ₹)	10	10
Earnings per equity share (in ₹)		
- Basic	742.82	(485.59)
- Diluted	742.82	(485.59)

2.26 Leases

i) Operating leases

The Company leases office spaces and accommodation for its employees under operating lease agreements The lease rental expense recognized in the statement of profit and loss for the year is ₹ 999 lakhs (31 March 2017, 811 lakhs). The escalation amount of operating lease payable in future years and accounted for by the company is ₹ 11 lakhs (31 March 2017, 82 lakhs). Future minimum lease payments and payment profile of non-cancellable operating leases are (₹ 1,330 lakhs (31 March 2017, ₹602 lakhs)

	Year ended	
	31 March 2018	31 March 2017
Not later than one year	337	372
Later than one year and not later than five years	993	230
	1,330	602

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

ii) Finance leases: In case of assets given on lease

The Company has given networking equipment to its customers on finance lease basis. The total minimum lease payment receivables and maturity profile of finance leases at the Balance Sheet date, element of interest included in such receipts and present value of minimum lease payment receivables are as follows:

	Total minimum lease payment receivable	Interest included in minimum lease payment receivable	Present value of minimum lease payment receivable
As on 31 March 2018			
Not later than one year	1,282	219	1,063
Later than one year and not later than five years	2,134	278	1,856
Later than five years	138	9	129
	3,554	**506**	**3,048**
As on 31 March 2017			
Not later than one year	926	248	679
Later than one year and not later than 5 years	2,892	374	2,518
Later than five years	117	8	109
	3,935	**630**	**3,306**

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Notes to financial statements for the year ended 31 March 2018
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2.27 Financial instruments

(a) Financial assets and liabilities

The carrying value of financial instruments by categories as at 31 March 2018 is as follows:

	Fair value through profit and loss	Amortized cost	Total carrying value
Financial assets			
Investments (other than in subsidiary and fellow subsidiary)	13,108	-	13,108
Trade receivables	-	7,020	7,020
Cash and cash equivalents	-	1,695	1,695
Others (refer note 2.4)	-	4,286	4,286
Total	13,108	13,001	26,109
Financial liabilities			
Borrowings	-	920	920
Trade payables	-	1,295	1,295
Others (refer note 2.15)	-	8,149	8,149
Total	-	10,364	10,364

The carrying value of financial instruments by categories as at 31 March, 2017 is as follows:

	Fair value through profit and loss	Amortized cost	Total carrying value
Financial assets			
Investments (other than in subsidiary and fellow subsidiary)	11,894	-	11,894
Trade receivables	-	14,887	14,887
Cash and cash equivalents	-	777	777
Others (refer note 2.4)	-	5,292	5,292
Total	11,894	20,956	32,850
Financial liabilities			
Borrowings	-	1,523	1,523
Trade payables	-	3,038	3,038
Others (refer note 2.15)	-	12,188	12,188
Total	-	16,749	16,749

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Fair value hierarchy

The assets and liabilities measured at fair value on a recurring basis as at 31 March 2018 and the basis for that measurement is as below:

	Fair value	Level 1 inputs	Level 2 inputs	Level 3 inputs
Assets				
Investments carried at fair value through profit and loss	13,108	13,108	-	-

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

The following table discloses the assets and liabilities measured at fair value on a recurring basis as at 31 March 2017 and the basis for that measurement:

	Fair value	Level 1 inputs	Level 2 inputs	Level 3 inputs
Assets				
Investments carried at fair value through profit and loss	11,894	11,894	-	-

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

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 Company's investments consist primarily of investment in debt linked mutual funds. Fair values of investment securities classified as fair value through profit and loss are determined using quoted prices for identical assets or liabilities in active markets and are classified as Level 1.

The Company assessed that fair value of cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

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

(b) Financial risk management

The Company is exposed to market risk, credit risk and liquidity risk which may impact the fair value of its financial instruments. The Company has a risk management policy to manage & mitigate these risks.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of currency risk and interest rate risk. The Company is primarily exposed to fluctuation in foreign currency exchange rates.

(i) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in exchange rates. The Company's exposure to the risk of changes in exchange rates relates primarily to the Company's operations

The exchange rate risk primarily arises from assets and liabilities denominated in currencies other than domestic currency. An insignificant portion of the Company's revenue is in US Dollar, Pound Sterling(GBP) and Euro while a large portion of costs are in Indian Rupees.The fluctuation in exchange rates in respect to the indian Rupee may not have potential impact on the statement of profit and loss and other comprehensive income and equity

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's investments are primarily in fixed rate interest bearing investments. Hence the Company is not significantly exposed to interest rate risk.

Credit risk

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash and bank balances, trade receivables, unbilled revenue, finance lease receivables and investment securities. The cash resources of the Company are invested with mutual funds, banks and financial institutions 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.

The customers of the Company are primarily corporations based in India and accordingly, trade receivables and finance lease receivables are concentrated in India. The Company 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.

The allowance for lifetime expected credit loss on customer balances is as below:

	As at	
	31 March 2018	31 March 2017
Balance at the beginning of the year	5,165	4,881
Additional provision during the year	3,708	6,578
Deductions on account of write offs and collections	4,928	6,294
Balance at the end of the year	**3,945**	**5,165**

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with financial liabilities. The investment philosophy of the Company is capital preservation and liquidity in preference to returns. The Company consistently generates sufficient cash flows from operations and has access to multiple sources of funding to meet the financial obligations and maintain adequate liquidity for use.

Maturity profile of the Company's non-derivative long term financial liabilities based on contractual payments is as below:

	Year 1 (Current)	Year 2	Year 3	Year 4-5	Total
As at 31 March 2018					
Borrowings	615	603	312	5	1,535
Total	615	603	312	5	1,535
As at 31 March 2017					
Borrowings	823	610	601	313	2,346
Total	823	610	601	313	2,346

2.28 Related party transactions

a) Holding Company
HCL Technologies Limited

b) Related Parties where control exists
HCL Training and Staffing Services Private Limited, Subsidiary Company
(w.e.f. 23 March 2018)

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

Fellow subsidiaries
HCL Global Processing Services Limited
Statestreet HCL Services India (Private) Limited
HCL Technologies Solutions Limited
HCL Comnet Systems and Services Limited

Subsidiaries
HCL Training and Staffing Services Private Limited

Non executive directors
Poornima Savargaonkar
Renu Kawatra

Others (significant influence)
HCL Infosystems Limited
HCL Services Limited
HCL Infotech Limited
HCL Avitas Private Limited

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Transactions with related parties during the normal course of business	Holding company		Fellow subsidiaries		Subsidiaries		Significant influence		Total	
	Year ended		Year ended		Year ended		Year ended		Year ended	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017	31 March 2018	31 March 2017	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Revenues	6,314	7,649	22	116	-	-	53	58	6,389	7,823
Outsourcing cost	278	-	51	7	-	-	80	0	409	7
Other expenses	-	-	-	-	-	-	5	32	5	32
Interest on supplier credit	-	-	-	-	-	-	4	-	4	-
Payment for use of facilities	209	-	2	-	-	-	229	-	440	-
Receipt for use of facilities	-	-	134	35	-	-	-	-	134	35
Reimbursement of expenses paid	5	54	-	-	-	-	-	-	5	54
Reimbursement of expenses received	-	61	-	-	-	-	-	-	-	61
Investment in equity shares	-	-	-	-	235	-	-	-	235	-
Redemption of investment in preference shares		-	800	-	-	-	-	-	800	-

Transactions with Directors during the year	Year ended	
	31 March 2018	31 March 2017
Commission & other benefits to Directors (includes sitting fees)	8	8

Outstanding balances	Holding company		Fellow subsidiaries		Subsidiaries		Significant influence		Total	
	As at		As at		As at		As at		As at	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017	31 March 2018	31 March 2017	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Trade receivables	1,684	3,583	205	285	-	-	1	-	1,889	3,868
Trade payables	283	34	87	192	1	-	235	-	607	226
Income received in advance	67	249	-	75	-	-	0	-	67	324
Unbilled revenue	827	1,241	15	46	-	-	-	-	843	1,287
Loans and advances	221	129	10	14	-	-	-	-	230	143
Liabilities for expenses	97	97	-	-	-	-	1	112	97	209
Supplier credit	-	-	-	-	-	-	227	-	227	-
Prepaid expenses	10	-	-	-	-	-	6	-	16	-

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2.29 Employees benefits

A. Defined contribution plans and state plans

The Company has calculated the various benefits provided to employees as given below:
Employer's contribution to Employee State Insurance
Employer's contribution to Employee Pension Scheme

During the year, the Company has recognized the following amounts in the statement of profit and loss:-

	Year ended	
	31 March 2018	31 March 2017
Employer's contribution to Employee's State Insurance	101	55
Employer's contribution to Employee's Pension Scheme	206	240
Total	**307**	**295**

B. Defined benefit plans

a) Gratuity
b) Employer's contribution to provident fund

Gratuity

The following table sets out the status of the gratuity plan:

Statement of profit and loss

	Year ended	
	31 March 2018	31 March 2017
Current service cost	137	146
Interest cost	49	50
Net benefit expense	186	196

Balance sheet

	As at	
	31 March 2018	31 March 2017
Defined benefit obligations	598	740
Fair value of plan assets	-	-
	598	740
Less: Unrecognised past service cost	-	-
Net plan liability	598	740
Current defined benefit obligations	137	106
Non-current defined benefit obligations	461	634

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

Changes in present value of the defined benefit obligations

	Year ended	
	31 March 2018	31 March 2017
Opening defined benefit obligations	740	664
Current service cost	137	146
Interest cost	49	50
Re-measurement gains (losses) in OCI		
Actuarial changes arising from changes in demographic assumptions	(11)	1
Actuarial changes arising from changes in financial assumptions	(17)	41
Experience adjustments	(98)	(51)
Business combinations	-	-
Benefits paid	(202)	(111)
Closing defined benefit obligations	**598**	**740**

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

	As at	
	31 March 2018	31 March 2017
Discount rate	7.70%	7.05%
Estimated rate of salary increase	7%	7%
Employee turnover	31%	23%
Expected rate of return on assets	NA	NA

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

Discount rate and future salary escalation rate are the key actuarial assumptions to which the defined benefit obligations are particularly sensitive. The following table summarizes the impact on defined benefit obligations as at 31 March 2018 arising due to increase / decrease in key actuarial assumptions by 50 basis points:

	Discount rate	Salary escalation rate
Impact of increase	(12)	12
Impact of decrease	12	(11)

The sensitivity analysis presented may not be representative of the actual change in the defined benefit obligations as sensitivities have been calculated to show the movement in defined benefit obligations in isolation and assuming there are no other changes in the market conditions. There have been no changes in the methods and assumptions used in preparing the sensitivity analysis.

The defined benefit obligations are expected to mature after 31 March 2018 as follows:-

Year ending 31 March,	Cash flows
- 2019	171
- 2020	159
- 2021	155
- 2022	155
- 2023	145
- Thereafter	885

The weighted average duration of these cash flows is 4 years.

Employer's contribution to provident fund

The Company contributes to HCL Comnet Systems and Services Limited and HCL Comnet Limited Employee Trust which is maintained jointly by HCL Comnet Systems and Services Limited and HCL Comnet Limited. The disclosure of plan assets cannot be provided as the plan assets are not attributable to its participants. The actuary has provided a valuation and based on the assumption mentioned below there is no shortfall as at 31 March 2018.

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Assumptions used in determining the present value of obligations of interest rate guarantee under the Deterministic Approach.

	As at	
	31 March 2018	31 March 2017
Government of India bond yield	7.70%	7.05
Remaining term of maturity	6.44 years	5.33 years
Expected guaranteed interest rate	8.55	8.65

During the year ended 31 March 2018, the Company has contributed ₹ 158 lakhs (31 March 2017 ₹ 186 lakhs) towards employer's contribution to provident fund.

2.30 Commitments and contingent liabilities

(a)

	As at	
	31 March 2018	31 March 2017
i) Capital and other commitments		
Capital commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	35	13
	35	**13**
ii) Contingent liabilities	-	-
	-	-

(b) The Company has a comprehensive system of maintenance of information and documents as required by the transfer pricing legislation under sections 92-92F of the Income Tax Act, 1961. Since the law requires existence of such information and documentation to be contemporaneous in nature, the Company appoints independent consultants for conducting a transfer pricing study to determine whether the transactions with associated enterprises are undertaken during the financial year, on an "arms length basis". Adjustments, if any, arising from the transfer pricing study in the respective jurisdictions are accounted for as and when the study is completed for the current financial year. However the management is of the opinion that its international transactions are at arms' length so that the aforesaid legislation will not have any impact on the financial statements.

2.31 Payment to auditors

	Year ended	
	31 March 2018	31 March 2017
Audit fees	19	19
Taxation matters	5	6
	24	25

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2.32 Micro and small enterprises

As per information available with the management, the dues payable to enterprises covered under "The Micro, Small and Medium Enterprises Development Act, 2006" are as follows:

	For the year ended 31 March 2018		For the year ended 31 March 2017	
	Principal	Interest	Principal	Interest
Amount due to vendor	-	-	-	-
Principal amount paid beyond the appointed date	-	-	-	-
Interest under normal credit terms				
Accrued and unpaid during the year	-	-	-	-
Total interest payable -				
Accrued and unpaid during the year	-	-	-	-

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

2.33 Corporate social responsibility

As required by the Companies Act 2013, the gross amount required to be spent by the Company on CSR activities is ₹ Nil (31 March 2017 ₹ 13 lakhs) and the amount spent during the year is ₹ Nil (31 March 2017 ₹ 13 lakhs)

2.34 Segment reporting

In the opinion of the management, networking solutions is the only business segment of the Company and the Company operates in a single geographical segment and hence there are no reportable segments as envisaged in Ind AS notified under section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules. Accordingly, no disclosure for segment reporting have been included in the financial statements.

3. Previous year comparatives

The Company has changed its presentation from "₹ in absolute" to "₹ in lakhs" and accordingly, amounts less than ₹0.50 lakhs are rounded off to Nil.

As per our report of even date

For S. R. BATLIBOI & ASSOCIATES LLP
ICAI Firm Registration Number:101049W/E300004
Chartered Accountants

S.R. Batliboi & Associates LLP Gurugram

Per Yogesh Midha
Partner
Membership Number: 094941

Gurugram, India
Date: 12 June 2018

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

Prahlad Rai Bansal
Director

Manish Anand
Director

Noida (UP), India
Date: 12 June 2018