HCL Comnet Limited

Financial Statements

Years ended 31 March 2019 and 31 March 2018

2nd & 3rd Floor
Golf View Corporate Tower - B
Sector - 42, Sector Road
Gurugram - 122 002, Haryana, India
Tel : +91 124 681 6000

INDEPENDENT AUDITOR'S REPORT

To the Members of HCL Comnet Limited

Report on the Audit of the Ind AS Financial Statements

Opinion

We have audited the accompanying Ind AS financial statements of HCL Comnet Limited ("the Company"), which comprise the Balance sheet as at March 31, 2019, 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 notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements give the information required by the Companies Act, 2013, as amended ("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, 2019, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Ind AS Financial Statements' section of our report. We are independent of the Company in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

Emphasis of Matter

We draw attention to Note 2.36 to the Ind AS financial statements. The Board of Directors of the Company on 10 May 2019 has approved the merger of the Company on going concern basis with its holding Company "HCL Technologies Limited" as per the provisions of Section 230 to 232 of the Companies Act, 2013 (the "Act") and other applicable provisions which is subject to approval of shareholders and other regulators authorities. The Company will cease to exist after merger, however business will be merged on going concern basis, accordingly, these financial statements have been prepared on going concern basis.

Our opinion is not modified in respect of this matter.

Other Information

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Director's report, but does not include the Ind AS financial statements and our auditor's report thereon.

Our opinion on the Ind AS financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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In connection with our audit of the Ind AS financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the Ind AS financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of Management for the Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of 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 the 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 controls, 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.

In preparing the Ind AS financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the Ind AS financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Ind AS financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Ind AS financial statements, including the disclosures, and whether the Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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 purposes of our audit;

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

   (c) The Balance Sheet, the 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 the written representations received from the directors as on March 31, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 from being appointed as a director in terms of Section 164 (2) of the Act;

   (f) With respect to the adequacy of the internal financial controls 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 in "Annexure 2" to this report;

   (g) The provisions of section 197 read with Schedule V of the Act are not applicable to the Company for the year ended March 31, 2019;

   (h) 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, as amended in our opinion and to the best of our information and according to the explanations given to us:

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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;

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 29, 2019

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. There was no inventory lying with third parties.

(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, there are no loans, investments, guarantees, and securities given in respect of which provisions of section 185 and 186 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, goods and service tax, duty of custom, 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.

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

Name of the statute	Nature of the dues	Amount in INR lacs*	Period to which the amount relates	Forum where the dispute is pending
Income Tax Act, 1961	Income Tax	1,494	2014-15	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Income Tax	136	2010-11	Income tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	392	2005-06	Delhi High Court
Income Tax Act, 1961	Income Tax	390	2003-04	High Court
Finance Act 1994, read with Service Tax Rules,1994	Service Tax	270	2013-14	Commissioner (Appeals)
Finance Act 1994, read with Service Tax Rules,1994	Service Tax	192	2007-10	High Court
Custom Act, 1962	Duty of Custom	306	2014-16	Office of the Commissioner of Customs
Central Sales Tax, 1956	Sales Tax	177	2014-15	West Bengal Commercial Tax Appellate & Revisional Board
Central Sales Tax, 1956	Sales Tax	6	2012-13	Joint Commissioner Appeal
Central Sales Tax, 1956	Sales Tax	7	2010-11	West Bengal Commercial Tax Appellate & Revisional Board
Central Sales Tax, 1956	Sales Tax	17	2009-10	West Bengal Commercial Tax Appellate & Revisional Board
West Bengal Value added Tax, 2003	Value added Tax	78	2014-15	West Bengal Commercial Tax Appellate & Revisional Board
West Bengal Value added Tax, 2003	Value added Tax	18	2012-13	West Bengal Commercial Tax Appellate & Revisional Board
West Bengal Value added Tax, 2003	Value added Tax	20	2010-11	West Bengal Commercial Tax Appellate & Revisional Board
UP Value added tax Act, 2008	Value added Tax	8	2013-14	Additional Commissioner Appeal, Noida
Maharashtra Value Added Tax Act, 2002	Value added Tax	903	2012-13	Joint Commissioner Appeal
Kerala Value Added Tax Act, 2003	Value added Tax	25	2011-12	Deputy Commissioner (Appeals) Ernakulum, Kerala

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*Above amount represents total demand inclusive of interest. Total amount deposited/adjusted in respect of Income tax is INR 136 lacs, Value added tax INR 72 lacs, Duty of custom INR 15 lacs and Sales tax is INR 2 lacs.

(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 3(ix) 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 / material 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
Place: Gurugram
Date: June 29, 2019

S.R. Batliboi & Associates LLP * Gurugram *

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, as amended ("the Act")

We have audited the internal financial controls over financial reporting of HCL Comnet Limited ("the Company") as of March 31, 2019 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, as amended.

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, as amended, 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, 2019, 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
Place of Signature: Gurugram
Date: June 29, 2019

S.R. Batliboi & Associates LLP
* Gurugram *

HCL Comnet Limited
Balance Sheet as at 31 March 2019
(All amounts in lakhs of ₹)

	Note No.	As at 31 March 2019	As at 31 March 2018
I. ASSETS			
(1) Non-current assets			
(a) Property, plant and equipment	2.1	1,160	1,351
(b) Other intangible assets	2.2	20	45
(c) Financial assets			
(i) Investments	2.3	235	235
(ii) Others	2.4	1,223	2,085
(d) Deferred tax assets (net)	2.24	3,084	3,631
(e) Other non-current assets	2.5	502	1,614
(2) Current assets			
(a) Inventories	2.6	26	637
(b) Financial assets			
(i) Investments	2.3	11,839	13,108
(ii) Trade receivables	2.7	4,726	7,020
(iii) Cash and bank balances	2.8(a)	505	1,695
(iv) Other bank balances	2.8(b)	8	-
(v) Loans	2.9	7,500	-
(vi) Others	2.4	1,233	2,201
(c) Current tax assets (net)		8,491	8,042
(d) Other current assets	2.10	2,086	3,764
TOTAL ASSETS		**42,638**	**45,428**
II. EQUITY			
(a) Equity share capital	2.11	95	95
(b) Other equity		27,607	26,316
TOTAL EQUITY		27,702	26,411
III. LIABILITIES			
(1) Non - current liabilities			
(a) Financial liabilities			
(i) Borrowings	2.12	326	920
(b) Provisions	2.13	379	630
(c) Other non-current liabilities	2.14	245	867
(2) Current liabilities			
(a) Financial liabilities			
(i) Trade payables	2.15	837	1,295
(ii) Others	2.16	8,278	8,149
(b) Provisions	2.13	177	213
(c) Other current liabilities	2.17	4,694	6,943
TOTAL EQUITY AND LIABILITIES		**42,638**	**45,428**
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

S.R. Batliboi & Associates LLP * Gurugram *

per Yogesh Midha
Partner
Membership Number: 094941

Gurugram, India
Date: 29 June 2019

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

Prahlad Rai Bansal
Director

Atul Kumar Jain
Director

Noida (UP), India
Date: 29 June 2019

HCL Comnet Limited

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

(All amounts in lakhs of ₹)

		Note No.	Year ended 31 March 2019	Year ended 31 March 2018
I	**Revenue**			
	Revenue from operations	2.18	17,800	31,060
	Other income	2.19	1,726	1,885
	Total income		19,526	32,945
II	**Expenses**			
	Purchase of stock-in-trade		363	378
	Changes in inventories of stock-in-trade	2.20	611	2,556
	Employee benefits expense	2.21	5,699	11,474
	Finance costs	2.22	33	383
	Depreciation and amortization expense	2.1 & 2.2	410	449
	Cost of network, installation and other services		6,690	10,169
	Other expenses	2.23	2,419	3,554
	Total expenses		16,225	28,963
III	**Profit before tax**		3,301	3,982
IV	**Tax expense**	2.24		
	Current tax		1,525	621
	Deferred tax charge/ (credit)		525	(3,695)
	Total tax expense		2,050	(3,074)
V	**Profit for the year**		1,251	7,056
VI	**Other comprehensive income**			
	Items that will not be reclassified to statement of profit or loss		62	126
	Income tax on items that will not be reclassified to statement of profit or loss		(22)	(64)
	Total other comprehensive income	2.25	40	62
VII	**Total comprehensive income for the year**		1,291	7,118
	Earnings per equity share of ₹ 10 each	2.26		
	Basic (in ₹)		131.70	742.82
	Diluted (in ₹)		131.70	742.82
	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

S.R. Batliboi & Associates LLP * Gurugram *

Gurugram, India
Date: 29 June 2019

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

Prahlad Rai Bansal
Director

Atul Kumar Jain
Director

Noida (UP), India
Date: 29 June 2019

HCL Comnet Limited

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

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

	Equity share capital		Other equity		
			Reserves and Surplus		
	Number of shares	Share capital	Retained earnings	Securities premium	Total other equity
Balance as at 1 April 2017	**949,900**	**95**	**13,799**	**5,399**	**19,198**
Profit 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**
Balance as at 1 April 2018	949,900		20,917	5,399	26,316
Profit for the year	-	-	1,251	-	1,251
Other comprehensive income	-	-	40	-	40
Total comprehensive income for the year	-	-	1,291	-	1,291
Balance as at 31 March 2019	**949,900**	**95**	**22,208**	**5,399**	**27,607**

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

S.R. Batliboi & Associates LLP * Gurugram *

Gurugram India
Date: 29 June 2019

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

Prahlad Rai Bansal
Director

Atul Kumar Jain
Director

Noida (UP), India
Date: 29 June 2019

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

		Year ended 31 March 2019	Year ended 31 March 2018
A. Cash flows from operating activities			
Profit before tax		3,301	3,982
Adjustment for:			
Depreciation and amortization		410	449
Interest income		(145)	(41)
Income on investments carried at fair value through profit and loss		(1,118)	(1,020)
Interest expenses		6	6
(Profit)/ Loss on sale of property, plant and equipment (net)		(7)	10
Provision for doubtful debts / bad debt written off, net		(237)	(798)
Other non-cash (benefits) charges (net)		22	22
Operating profit before working capital changes		**2,232**	**2,610**
Movement in Working Capital			
(Increase) decrease in trade receivables		2,531	8,665
(Increase) decrease in inventories		611	2,563
(Increase) decrease in other financial assets and other assets		4,636	4,044
Increase (decrease) in trade payables		(458)	(1,743)
Increase (decrease) in provisions, other financial liabilities and other liabilities		(3,087)	(9,528)
Cash generated from operations		**6,465**	**6,611**
Direct taxes paid (net of refunds)		(1,925)	(5,330)
Net cash flow from operating activities	**(A)**	**4,541**	**1,281**
B. Cash flows from investing activities			
Proceeds from bank deposits on maturity		-	243
Purchase of investments in securities		(77,171)	(39,391)
Proceeds from sale of investments in securities		79,558	39,197
Deposits placed with body corporates		(7,500)	-
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		(78)	(213)
Proceeds from sale of property, plant and equipment		23	12
Interest received		97	41
Taxes paid		(49)	(5)
Net cash flow from/ (used in) investing activities	**(B)**	**(5,120)**	**449**
C. Cash flows from financing activities			
Repayment of long term borrowings		(605)	(811)
Proceeds from short term borrowings		-	5
Interest paid		(6)	(6)
Net cash flow used in financing activities	**(C)**	**(611)**	**(812)**
Net increase / (decrease) in cash and cash equivalents (A+B+C)		(1,190)	918
Cash and cash equivalents at the beginning of the year		1,695	777
Cash and cash equivalents at the end of the year as per note 2.8(a)		**505**	**1,695**

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: 29 June 2019

S.R. Batliboi & Associates LLP * Gurugram *

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

Prahlad Rai Bansal
Director

Atul Kumar Jain
Director

Noida (UP), India
Date: 29 June 2019

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 2019 were approved and authorized for issue by the Board of Directors on 29 June 2019.

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) and presentation requirements of Schedule III (Division II) to the Companies Act, 2013 as applicable to the financial statements.

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 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.

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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

<u>Adoption of new accounting principles</u>

Effective 1 April 2018, the Company has adopted Ind AS 115 using the cumulative effect method. The standard is applied retrospectively only to contracts that are not completed as at the date of initial application and the comparative information is not restated in the financial statement. The adoption of the standard did not have any material impact to the financial statements of the Company.

Contracts involving provision of services and material

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

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

Multiple performance obligation

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

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

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

Incentive revenues, volume discounts, or any other form of variable consideration is estimated using either the sum of probability weighted amounts in a range of possible consideration amounts (expected value), or the

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

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

Revenue from sales-type leases is recognized when risk of loss has been transferred to the client and there are no unfulfilled obligations that affect the final acceptance of the arrangement by the client. Revenue from operating leases is accounted on a straight-line basis as service revenue over the rental period. Interest attributable to sales-type leases and direct financing leases included therein is recognized on an accrual basis using the effective interest method.

Interest income

Interest income for all financial instruments measured at amortized cost is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortized cost of a financial liability. When calculating the EIR, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses. Interest income is included in other income in the statement of profit and loss.

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.

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

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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

k) Inventory

Stock-in-trade, stores and spares are valued at the lower of the cost or net realizable value. Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. 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.

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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.

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.

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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.

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.

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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.

q) Recently issued accounting pronouncements

Ind AS 116 - Leases

Ind AS 116 Leases was notified in October 2018 and it replaces Ind AS 17 Leases, including appendices thereto. Ind AS 116 is effective for annual periods beginning on or after 1 April 2019. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under Ind AS 17.

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

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Appendix C to Ind AS 12 Uncertainty over Income Tax Treatment

The amendment to Appendix C of Ind AS 12 specifies that the amendment is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12.

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

(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 2019

	Plant and equipment	Office equipment	Computers and networking equipment	Furniture and fixtures	Vehicles	Total
Gross block as at 1 April 2018	5,068	445	2,544	271	149	8,477
Additions	8	7	176	-	19	210
Disposals	5	14	248	-	67	334
Gross block as at 31 March 2019	**5,071**	**438**	**2,472**	**271**	**101**	**8,353**
Accumulated depreciation as at 1 April 2018	4,483	330	1,946	265	102	7,126
Charge for the year	85	5	280	1	14	385
Deduction/other adjustments	2	14	247	-	55	318
Accumulated depreciation as at 31 March 2019	**4,566**	**321**	**1,979**	**266**	**61**	**7,193**
Net block as at 31 March 2019	**505**	**117**	**493**	**5**	**40**	**1,160**

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

	Plant and equipment	Office equipment	Computers and networking equipment	Furniture and fixtures	Vehicles	Total
Gross block as at 1 April 2017	5,050	506	2,474	319	178	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**	**149**	**8,477**
Accumulated depreciation as at 1 April 2017	4,403	372	1,681	307	120	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**	**102**	**7,126**
Net block as at 31 March 2018	**585**	**115**	**598**	**6**	**47**	**1,351**
Net Block as at 1 April 2017	**647**	**134**	**793**	**12**	**58**	**1,644**

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HCL Comnet Limited

Notes to financial statements for the year ended 31 March 2019

(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 2019

	Software	Total
Gross block as at 1 April 2018	1,251	**1,251**
Additions	-	-
Disposals	2	2
Gross block as at 31 March 2019	**1,249**	**1,249**
Accumulated depreciation as at 1 April 2018	1,206	**1,206**
Charge for the year	25	25
Deduction/other adjustments	2	2
Accumulated depreciation as at 31 March 2019	**1,229**	**1,229**
Net block as at 31 March 2019	**20**	**20**

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**
Net block as at 1 April 2017	**41**	**41**

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2.3 Financial assets-investments

	As at	
	31 March 2019	31 March 2018
Financial assets		
Non-current		
Unquoted investments		
Equity investment in subsidiary company carried at cost (fully paid up)		
1,751,301 (31 March 2018, 1,751,301) equity shares of ₹10 each in HCL Training and Staffing Services Private Limited (Refer note below)	235	235
	235	235
Unquoted		
Current		
Carried at fair value through profit and loss		
Investment in mutual fund	11,839	13,108
	11,839	**13,108**
Total Investment - Financial assets	**12,074**	**13,343**
Aggregate amount of unquoted investments	12,074	13,343
Equity instruments carried at cost	235	235
Investments carried at fair value through profit and loss	11,839	13,108

Note: During the previous year, the Company had 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.

2.4 Other financial assets

	As at	
	31 March 2019	31 March 2018
Non - current		
Carried at amortized cost		
Bank deposits with more than 12 months maturity (refer note below)	-	8
Finance lease receivables (refer note 2.27 (ii))	1,124	1,985
Security deposits	99	92
	1,223	**2,085**
Current		
Unsecured, considered good		
Interest receivable	53	5
Unbilled receivable (previous year : unbilled revenue)	110	100
Unbilled receivable - related parties (previous year: unbilled revenue - related parties) (refer note 2.29)	325	843
Security deposits	24	190
Finance lease receivables (refer note 2.27 (ii))	721	1,063
	1,233	2,201
Unsecured, considered doubtful		
Other advances	35	-
Less: Provision for doubtful advances	(35)	-
	1,233	**2,201**

Note: Pledged with banks as security for guarantees ₹ Nil (31 March 2018, ₹ 8 lakhs)

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

2.5 Other non - current assets

	As at	
	31 March 2019	31 March 2018
Unsecured considered good unless otherwise stated		
Capital advances	1	1
Advances other than capital advances		
Security deposits	102	115
Others		
Prepaid expenses	333	1,253
Deferred contract cost (previous year : deferred cost) (refer note 2.18)	66	245
	502	1,614

2.6 Inventories

	As at	
	31 March 2019	31 March 2018
Stock in trade [including stores and spares ₹ 6 lakhs (31 March 2018, ₹ 6 lakhs)]	26	637
	26	637

2.7 Trade receivables

	As at	
	31 March 2019	31 March 2018
Unsecured, considered good (refer note below)	4,963	8,144
Trade receivables which have significant increase in credit risk	3,331	2,631
Trade receivables - credit impaired	134	190
	8,428	10,965
Impairment allowance for bad and doubtful debts		
- Unsecured, considered good	(237)	(1,124)
- Trade receivables which have significant increase in credit risk	(3,331)	(2,631)
- Trade receivables - credit impaired	(134)	(190)
	4,726	7,020

Note:
Includes receivables from related parties amounting to ₹ 1,161 lakhs (31 March 2018, ₹1,889 lakhs)

2.8 Cash and bank balances

	As at	
	31 March 2019	31 arch 2018
(a) Cash and bank balances		
Balance with banks		
in current accounts	505	1,693
Remittances in transit	-	2
	505	1,695
(b) Other bank balances		
Deposits with remaining maturity upto 12 months	8	-
	513	1,695

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

2.9 Loans

	As at	
	31 March 2019	31 March 2018
Current		
Carried at amortized cost		
Unsecured, considered good		
Inter corporate deposits	7,500	-
	7,500	-

2.10 Other current assets

	As at	
	31 March 2019	31 March 2018
Unsecured , considered good		
Advances other than capital advances		
Security deposits	30	75
Receivables for expenses - related parties (Refer note 2.29)	47	230
Advances to suppliers	54	204
Other advances	70	24
Others		
Deferred contract cost (previous year : deferred cost) (refer note 2.18)	40	808
Prepaid expenses	1,435	2,316
Prepaid expenses - related parties (Refer note 2.29)	16	16
Goods and service tax receivable	394	14
SAD recoverable	-	77
	2,086	3,764
Unsecured, considered doubtful		
Advances other than capital advances		
Advances to employees	34	81
Other advances	235	204
Less: Provision for doubtful advances	(269)	(285)
	2,086	3,764

2.11 Share capital

	As at	
	31 March 2019	31 March 2018
Authorized		
1,100,000 (31 March 2018, 1,100,000) equity shares of ₹ 10 each	110	110
Issued, subscribed and fully paid up		
949,900 (31 March 2018, 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.

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

	As at			
	31 March 2019		31 March 2018	
	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

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 2019		31 March 2018	
	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 2019		31 March 2018	
	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 2018: 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.

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2.12 Borrowings

	Non - current		Current	
	As at		As at	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
Secured				
From banks				
Long term loans (refer note 1 below)	22	26	11	15
Bank overdraft (refer note 2 below)	-	-	-	5
From others				
Other loans (refer note 3 below)	304	894	593	600
	326	**920**	**604**	**620**
Current maturities of long term borrowings and bank overdraft disclosed under Note 2.16 "Other financial liabilities"	**-**	**-**	**(604)**	**(620)**
	326	**920**	**-**	**-**

Note: -

1. The Company has availed a term loan which is secured by hypothecation of vehicles of ₹ 73 lakhs (31 March 2018, ₹ 115 lakhs) at variable interest rates not exceeding interest rate of 10.4%. The same is repayable over a period of 5 years on monthly basis.

2. In the previous year, the Company had availed a bank overdraft which was 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 ₹ 897 lakhs (31 March 2018, ₹ 1,494 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.

2.13 Provisions

	As at	
	31 March 2019	31 March 2018
Non - Current		
Provision for employee benefits		
Provision for gratuity (refer note 2.30)	288	461
Provision for leave benefits	91	169
	379	**630**
Current		
Provision for employee benefits		
Provision for gratuity (refer note 2.30)	128	137
Provision for leave benefits	49	76
	177	**213**

2.14 Other non-current liabilities

	As at	
	31 March 2019	31 March 2018
Contract liabilities (previous year : revenue received in advance) (refer note 2.18)	245	867
	245	**867**

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

2.15 Trade payables

	As at	
	31 March 2019	31 March 2018
Trade payables	423	688
Trade payables-related parties (refer note 2.29)	414	607
	837	**1,295**

2.16 Other financial liabilities

	As at	
	31 March 2019	31 March 2018
Current		
Carried at amortized cost		
Current maturities of long term borrowings	604	615
Deposits from customers	1,332	1,322
Accrued salaries and benefits		
Employee bonuses accrued	544	445
Other employee costs	182	421
Others		
Bank overdraft	-	5
Liabilities for expenses	4,114	4,300
Liabilities for expenses-related parties (Refer note 2.29)	112	97
Other payables-related parties (Refer note 2.29)	138	
Capital accounts payable	145	13
Supplier credit	881	704
Supplier credit- related parties (refer note 2.29)	226	227
	8,278	**8,149**

2.17 Other current liabilities

	As at	
	31 March 2019	31 March 2018
Contract liabilities (previous year : revenue received in advance) (refer note 2.18)	1,618	3,934
Contract liabilities - related parties (previous year : revenue received in advance - related parties) (refer note 2.29)	8	67
Other advances		
- Advances received from customers	2,022	1,943
Others		
- Goods and service tax payable	933	901
- Withholding and other taxes payable	113	98
	4,694	**6,943**

2.18 Revenue from operations

	Year ended	
	31 March 2019	31 March 2018
Sale of services	16,721	27,123
Sale of hardware and software	1,079	3,937
	17,800	**31,060**

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Notes to financial statements for the year ended 31 March 2019
(All amounts in lakhs of ₹ except share data and as stated otherwise)

Disaggregate revenue information

	Year ended 31 March 2019
Contract type	
Fixed price	
Time and material	12,611
Total	5,189
	17,800
Geography wise	
India	17,800
Rest of world	-
	17,800

Remaining performance obligations

As at 31 March 2019, the aggregate amount of transaction price allocated to remaining performance obligations as per the requirements of Ind AS 115 was ₹822 lakhs out of which approximately 64.78% is expected to be recognized as revenues within one year and the balance beyond one year. This is after exclusion of below:

a) Contracts for which we recognize revenue based on the right to invoice for services performed,
b) Variable consideration allocated entirely to a wholly unsatisfied performance obligation or to a wholly unsatisfied promise to transfer a distinct good or service that forms part of single performance.
c) Variable consideration in the form of sales-based or usage based royalty promised in exchange for a license.

Contract balances

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

The Company does not have any contract assets as at 1 April 2018.

Contract liabilities: A contract liability arises when there is excess billing over the revenue recognized.

The below table discloses the significant movement in contract liabilities:

	Year ended 31 March 2019
Balance as at 1 April 2018	4,869
Additional cost capitalized during the year	851
Deduction on account of cost amortized during the year	(3,849)
Balance as at 31 March 2019	**1,871**

Deferred contract cost: Deferred contract cost represents the contract fulfilment cost and cost for obtaining the contract.

The below table discloses the significant movement in deferred contract cost:

	Year ended 31 March 2019
Balance as at 1 April 2018	1,054
Additional cost capitalized during the year	532
Deduction on account of cost amortized during the year	(1,480)
Balance as at 31 March 2019	**106**

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2.19 Other income

	Year ended	
	31 March 2019	31 March 2018
Interest income		
- On financial assets carried at amortized cost	145	41
Income on investments carried at fair value through profit and loss		
- Gains on fair value changes on mutual funds	(57)	132
- Profit on sale of mutual funds	1,175	888
Provision for doubtful debts/bad debts written back	237	798
Provision no longer required written back	151	-
Profit on sale of property, plant and equipment (refer note below)	7	-
Miscellaneous income	68	27
	1,726	**1,885**

Note: Net of loss on sale of property, plant and equipment of ₹ 4 lakhs.

2.20 Changes in inventories of stock-in-trade

	Year ended	
	31 March 2019	31 March 2018
Opening stock	631	3,187
Less: Closing stock	20	631
	611	**2,556**

2.21 Employee benefits expenses

	Year ended	
	31 March 2019	31 March 2018
Salaries, wages and bonus	5,293	10,730
Contribution to provident fund and other employee funds	354	652
Staff welfare expenses	52	92
	5,699	**11,474**

2.22 Finance cost

	Year ended	
	31 March 2019	31 March 2018
Interest		
- on loans from banks	6	6
- others	14	366
Bank charges	13	11
	33	**383**

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

2.23 Other expenses

	Year ended	
	31 March 2019	31 March 2018
Rent	679	928
Power and fuel	161	93
Insurance	16	12
Repairs and maintenance		
- Plant and machinery	10	172
- Buildings	134	127
- Others	252	129
Communication costs	50	133
Travel and conveyance	371	1,051
Legal and professional charges	66	142
Software license fee	309	336
Rates and taxes	89	20
Loss on sale of property, plant and equipment	-	10
CSR expenditure	13	-
Exchange difference(net)	47	51
Miscellaneous expenses	222	350
	2,419	**3,554**

2.24 Income taxes

	Year ended	
	31 March 2019	31 March 2018
Income tax charged to statement of profit and loss		
Current income tax	1,525	621
Deferred tax charge	525	(3,695)
	2,050	**(3,074)**
Income tax charged to other comprehensive income		
Expense(Benefit) on re-measurement of defined benefit plans	(22)	(64)
	(22)	**(64)**

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 2019	31 March 2018
Profit before income tax	3,301	3,982
Statutory tax rate in India	34.94%	34.61%
Expected tax expense	**1,154**	**1,378**
Income tax at lower / higher rates	-	(17)
True up of prior year provision	28	-
Interest received on income tax refund	-	-
Adjustment of deferred tax of prior year	-	(4,445)
Provision created on TDS receivable of earlier years	849	-
Others	19	10
Total taxes	2,050	(3,074)

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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 2019

	Opening balance	Recognised in profit and loss	Recognised in / reclassified from OCI	Closing balance
Deferred tax assets				
Provision for doubtful debts	1,487	(95)	-	1,392
Accrued employee costs	84	(34)	-	50
Depreciation and amortization	982	(124)	-	858
Bonus	137	(3)	-	134
Gratuity	209	(64)	-	145
Others	608	(327)	-	281
MAT credit entitlement	262	95	-	357
Gross deferred tax assets(A)	**3,769**	**(552)**	**-**	**3,217**
Deferred tax liabilities				
Gratuity	64	-	22	86
Unrealized gain on mutual funds	64	(20)	-	44
Others	10	(7)	-	3
Gross deferred tax liabilities(B)	**138**	**(26)**	**22**	**133**
Net deferred tax assets (A-B)	**3,631**	**(525)**	**(22)**	**3,084**

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**

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2.25 Components of other comprehensive income

	Year ended	
	31 March 2019	31 March 2018
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)	120	58
Actuarial gains	62	126
Income tax benefit (expense)	(22)	(64)
Closing balance (net of tax)	**160**	**120**

2.26 Earnings per share

	Year ended	
	31 March 2019	31 March 2018
Net profit as per statement of profit and loss for computation of EPS	1,251	7,056
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	131.70	742.82
- Diluted	131.70	742.82

2.27 Leases

i) Operating leases

The Company's significant leasing arrangements are in respect of operating leases for office spaces and accommodation for its employees. The aggregate lease rental expense recognized in the statement of profit and loss for the year amounts to ₹ 679 lakhs (previous year, ₹ 928 lakhs).

The lease equalization amount for non-cancellable operating lease payable in future years and accounted for by the Company is ₹17 lakhs (31 March 2018, ₹ 11 lakhs). Future minimum lease payments and payment profile of non-cancellable operating leases are ₹ 998 lakhs (31 March 2018, ₹1,330 lakhs)

	Year ended	
	31 March 2019	31 March 2018
Not later than one year	361	337
Later than one year and not later than five years	637	993
	998	**1,330**

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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 2019			
Not later than one year	868	147	721
Later than one year and not later than five years	1,265	140	1,124
Later than five years	-	-	-
	2,133	**287**	**1,845**
As on 31 March 2018			
Not later than one year	1,282	219	1,063
Later than one year and not later than 5 years	2,134	278	1,856
Later than five years	138	9	129
	3,554	**506**	**3,048**

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2.28 Financial instruments

(a) Financial assets and liabilities

The carrying value of financial instruments by categories as at 31 March 2019 is as follows:

	Fair value through profit and loss	Amortized cost	Total carrying value
Financial assets			
Investments (other than in subsidiary)	11,839	-	11,839
Trade receivables	-	4,726	4,726
Cash and bank balances	-	513	513
Loans	-	7,500	7,500
Others (refer note 2.4)	-	2,456	2,456
Total	11,839	15,195	27,034
Financial liabilities			
Borrowings	-	326	326
Trade payables	-	837	837
Others (refer note 2.16)	-	8,278	8,278
Total	-	9,441	9,441

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)	13,108	-	13,108
Trade receivables	-	7,020	7,020
Cash and bank balances	-	1,695	1,695
Loans	-	-	-
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 2.16)	-	8,149	8,149
Total	-	10,364	10,364

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Fair value hierarchy

The assets and liabilities measured at fair value on a recurring basis as at 31 March 2019 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	11,839	11,839	-	-

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 2018 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	13,108	13,108	-	-

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.

(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 2019	**31 March 2018**
Balance at the beginning of the year	3,945	5,165
Additional provision during the year	419	3,708
Effect of exchange rate changes	(7)	-
Deductions on account of write offs and collections	655	4,928
Balance at the end of the year	**3,702**	**3,945**

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 2019					
Borrowings	604	314	7	5	930
Total	**604**	**314**	**7**	**5**	**930**
As at 31 March 2018					
Borrowings	615	603	312	5	1,535
Total	**615**	**603**	**312**	**5**	**1,535**

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2.29 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 Technologies Solutions Limited
HCL Comnet Systems and Services Limited
Concept2Silicon Systems Private Limited

Non executive directors
Poornima Savargaonkar
Renu Kawatra

Others (significant influence)
HCl Avitas Private Limited
HCL Infotech Limited
HCL Infosystems Limited
Digilife Distribution and Marketing Services Limited

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Notes to financial statements for the year ended 31 March 2019

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

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 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018
Revenues	4,690	6,314	1	22	-	-	26	53	4,717	6,389
Outsourcing cost	-	278	-	51	-	-	275	80	275	409
Other expenses	-	-	-	-	-	-	1	5	1	5
Interest on supplier credit	-	-	-	-	-	-	14	4	14	4
Payment for use of facilities	301	209	-	2	-	-	66	229	367	440
Receipt for use of facilities	-	-	26	134	-	-	12	-	38	134
Reimbursement of expenses paid	14	5	-	-	-	-	-	-	14	5
Reimbursement of expenses received	-	-	-	-	-	-	-	-	-	-
Investment in equity shares	-	-	-	-	-	235	-	-	-	235
Redemption of investment in preference shares	-	-	-	800	-	-	-	-	-	-

Transactions with Directors during the year	Year ended	
	31 March 2019	31 March 2018
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 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018
Trade receivables	1,147	1,684	6	205	-	-	8	1	1,161	1,889
Trade payables	229	283	185	87	1	1		235	414	607
Other payables	-	-	138	-	-	-	-	-	138	607
Contract liabilities (previous year : income received in advance)	8	67	-	-	-	-	-	-	8	67
Unbilled receivables (previous year: unbilled revenue)	313	827	-	15	-	-	12	-	325	843
Receivables for expenses	45	221	2	10	-	-		-	47	230
Liabilities for expenses	97	97	-	-	-	-	15	1	112	97
Supplier credit	-	-	-	-	-	-	226	227	226	227
Prepaid expenses	8	10	-	-	-	-	8	6	16	16

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

2.30 Employee 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 2019	31 March 2018
Employer's contribution to Employee's State Insurance	38	101
Employer's contribution to Employee's Pension Scheme	105	206
Total	**143**	**307**

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:

	Year ended	
	31 March 2019	31 March 2018
Current service cost	88	137
Interest cost	42	49
Net benefit expense	**130**	**186**

Balance sheet

	Year ended	
	31 March 2019	31 March 2018
Defined benefit obligations	416	598
Fair value of plan assets	-	-
	416	598
Less: Unrecognized past service cost	-	-
Net plan liability	416	598
Current defined benefit obligations	128	137
Non-current defined benefit obligations	288	461

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

Changes in present value of defined benefit obligations

	Year ended	
	31 March 2019	31 March 2018
Opening defined benefit obligations	598	740
Current service cost	88	137
Interest cost	42	49
Re-measurement gains (losses) in OCI		
Actuarial changes arising from changes in demographic assumptions	(1)	(11)
Actuarial changes arising from changes in financial assumptins	12	(17)
Experience adjustments	(73)	(98)
Benefits paid	(250)	(202)
Closing defined benefit obligations	**416**	**598**

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

	Year ended	
	31 March 2019	31 March 2018
Discount rate	6.85%	7.70%
Estimated rate of salary increase	7%	7%
Employee turnover	39%	31%
Expected rate of return on assets	NA	NA

The estimates of future salary increase, considered in 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 2019 arising due to to increase/ decrease in key actuarial assumptions by 50 basis points.

	Discount Rate	Salary escalation rate
Impact of increase	(7)	6
Impact of decrease	7	(6)

The sensitivity analysis presented may not be representative of the actual changes 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 2019 as follows:-

Year ending 31 March,	Cash flows
-2020	139
-2021	115
-2022	99
-2023	104
-2024	68
Thereafter	336

The weighted average duration of these cash flows is 3.41 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 2019.

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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 2019	31 March 2018
Government of India bond yield	6.85%	7.70%
Remaining term of maturity	6.35 years	6.44 years
Expected guaranteed interest rate	8.65%	8.55%

During the year ended 31 March 2019, the Company has contributed ₹ 80 lakhs (31 March 2018, ₹ 158 lakhs) towards employers contribution to provident fund.

2.31 Commitments and contingent liabilities

	Year ended	
	31 March 2019	31 March 2018
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)	9	35
	9	**35**
ii) Contingent liabilities	-	-
	-	-

2.32 Payment to auditors

	Year ended	
	31 March 2019	31 March 2018
Audit fees	19	19
Taxation matters	5	5
	24	**24**

2.33 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 2019		For the year ended 31 March 2018	
	Principal	Interest	Principal	Interest
Amount due to Vendor	12	-	-	-
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.

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HCL Comnet Limited

Notes to financial statements for the year ended 31 March 2019

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

2.34 Corporate social responsibility

As required by the Companies Act, 2013, the gross amount required to be spent by the Company on CSR activities is ₹ 13 lakhs (31 March 2018 ₹ Nil) and the amount spent during the year is ₹ 13 lakhs (31 March 2018, ₹ Nil).

2.35 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.

2.36 Subsequent events

The Board of directors of the Company on 10 May 2019 has approved the merger of the Company "HCL Comnet limited " with its Holding company "HCL Technologies Limited" w.e.f. 1 April 2019 , under the scheme of amalgamation as per the provisions of Section 230 to 232 of the Companies Act, 2013 (the "Act") and other applicable provisions, read with the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016, including any statutory modification(s), amendment(s) or re-enactment(s) thereof for the time being in force), relevant provisions of the Memorandum and Articles of Association of the Company.

The scheme is subject to the approvals of the shareholders and other regulatory authorities.

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: 29 June 2019

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

Prahlad Rai Bansal
Director

Atul Kumar Jain
Director

Noida (UP), India
Date: 29 June 2019