STATESTREET HCL SERVICES (INDIA) PRIVATE LIMITED

Financial Statements

For the year ended 31 March 2021 and 2020

Statestreet HCL Services (India) Private Limited

Balance Sheet as at 31 March 2021

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

	Note No.	As at 31 March 2021	As at 31 March 2020
I. ASSETS			
(1) Non-current assets			
(a) Property, plant and equipment	**2.1**	4,800	4,269
(b) Capital work in progress		1,054	24
(c) Right-of-use asset	**2.20**	10,354	13,831
(d) Goodwill	**2.2**	1,050	1,050
(e) Other intangible assets	**2.2**	-	2
(f) Financial assets			
(i) Others	**2.3**	1,300	1,156
(g) Deferred tax assets (net)	**2.18**	5,421	5,325
(h) Other non-current assets	**2.4**	8,542	10,674
(2) Current assets			
(a) Financial assets			
(i) Trade receivables	**2.5**	12,709	7,306
(ii) Cash and cash equivalents	**2.6(a)**	8,818	7,216
(iii) Other bank balances	**2.6(b)**	18,699	12,812
(iv) Others	**2.3**	4,418	5,722
(b) Other current assets	**2.7**	4,489	3,525
(c) Current tax assets (net)		558	-
TOTAL ASSETS		**82,212**	**72,912**
II. EQUITY			
(a) Equity share capital	**2.8**	3,937	3,937
(b) Other equity		53,855	46,558
TOTAL EQUITY		**57,792**	**50,495**
III. LIABILITIES			
(1) Non-current liabilities			
(a) Financial liabilities			
(i) Lease liabilities	**2.20**	9,566	12,701
(b) Provisions	**2.9**	1,692	1,270
(2) Current liabilities			
(a) Financial liabilities			
(i) Trade payables	**2.10**		
1. Dues of micro enterprises and small enterprises	**2.25**	5	-
2. Dues of creditors other than micro enterprises and small enterprises		999	1,448
(ii) Lease liabilities	**2.20**	1,966	1,671
(iii) Others	**2.11**	6,322	4,545
(b) Other current liabilities	**2.12**	3,444	318
(c) Provisions	**2.9**	426	279
(d) Current tax liabilities (net)		-	185
TOTAL EQUITY AND LIABILITIES		**82,212**	**72,912**
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 B S R & Co. LLP
Chartered Accountants
Firm's Registration No.: 101248W/W-100022

Vimal Chauhan

Vimal Chauhan
Partner
Membership Number: 511230

Place: Gurugram, India
Date: 02 August 2021

prbansal

For and on behalf of the Board of Directors
of Statestreet HCL Services (India) Private Limited

Prahlad Rai Bansal
Director

Subramanian Gopalakrishnan
Director

S.Singh

Shamsher Singh
Company Secretary

Place: Noida (UP), India
Date: 02 August 2021

Statestreet HCL Services (India) Private Limited
Statement of Profit and Loss for the year ended 31 March 2021
(All amounts in lakhs of ₹ except share data and as stated otherwise)

		Note No.	Year ended 31 March 2021	Year ended 31 March 2020
I	**Revenue**			
	Revenue from operations	**2.13**	58,335	47,974
	Other income	**2.14**	1,116	1,410
	Total income		**59,451**	**49,384**
II	**Expenses**			
	Employee benefits expense	**2.15**	33,781	23,967
	Finance costs	**2.16**	1,022	876
	Depreciation and amortization expense		3,976	3,327
	Outsourcing costs		5,938	4,655
	Other expenses	**2.17**	5,968	8,650
	Total expenses		**50,685**	**41,475**
III	**Profit before tax**		**8,766**	**7,909**
IV	**Tax expense**	**2.18**		
	Current tax		1,632	1,364
	Deferred tax (credit)		(23)	(737)
	Total tax expense		1,609	627
V	**Profit for the year**		**7,157**	**7,282**
VI	**Other comprehensive income**			
	(i) Items that will not be reclassified to statement of profit and loss		67	(346)
	(ii) Income tax on items that will not be reclassified to statement of profit and loss		73	46
VII	**Total other comprehensive income**		**140**	**(300)**
VIII	**Total comprehensive income for the year**		**7,297**	**6,982**
	Earnings per equity share of ₹ 10 each	**2.19**		
	Basic (in ₹)		18.18	18.50
	Diluted (in ₹)		18.18	18.50
	Summary of significant accounting policies	**1**		

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Statestreet HCL Services (India) Private Limited

Statement of Changes in Equity for the year ended 31 March 2021

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

	Equity share capital		Other Equity
	Number of shares	Share capital	Retained earnings
Balance as at 1 April 2019	**39,369,285**	**3,937**	**39,576**
Profit for the year	-	-	7,282
Other comprehensive income	-	-	(300)
Total comprehensive income for the year	**-**	**-**	**6,982**
Balance as at 31 March 2020	**39,369,285**	**3,937**	**46,558**
Balance as at 1 April 2020	**39,369,285**	**3,937**	**46,558**
Profit for the year	-	-	7,157
Other comprehensive income	-	-	140
Total comprehensive income for the year	**-**	**-**	**7,297**
Balance as at 31 March 2021	**39,369,285**	**3,937**	**53,855**

Refer note 1 for summary of significant accounting policies

The accompanying notes are an integral part of the financial statements

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Statestreet HCL Services (India) Private Limited
Statement of Cash flows for the year ended 31 March 2021
(All amounts in lakhs of ₹ except share data and as stated otherwise)

		Year ended 31 March 2021	Year ended 31 March 2020
A. Cash flows from operating activities			
Profit before tax		8,766	7,909
Adjustment for:			
Depreciation and amortization expense		3,976	3,327
Interest income		(1,094)	(876)
Interest expense		1,021	870
Loss on sale of property, plant and equipment (net)		252	-
Provision for doubtful debts/ (bad debts written off)		-	(3)
Provision for doubtful advances		39	165
		12,960	**11,392**
Net change in			
Trade receivables		(5,403)	1,029
Other financial assets and other assets		2,115	(12,824)
Trade payables		(444)	298
Provisions, other financial liabilities and other liabilities		5,118	3,608
Cash generated from operations		**14,346**	**3,503**
Income taxes paid (net of refunds)		(2,130)	(2,012)
Net cash flow from operating activities	**(A)**	**12,216**	**1,491**
B. Cash flows from investing activities			
Investments in bank deposits		(24,700)	(25,906)
Proceeds from bank deposits on maturity		18,811	31,892
Purchase of property, plant and equipment		(3,014)	(1,476)
Interest received		1,200	884
Income taxes paid		(206)	(271)
Net cash flow/(used in) from investing activities	**(B)**	**(7,909)**	**5,123**
C. Cash flows from financing activities			
Payment of lease liabilities including interest (Refer note 2.20)		(2,705)	(2,301)
Net cash flow used in financing activities	**(C)**	**(2,705)**	**(2,301)**
Net increase in cash and cash equivalents (A+B+C)		1,602	4,313
Cash and cash equivalents at the beginning of the year		7,216	2,903
Cash and cash equivalents at the end of the year as per Note 2.6(a)		**8,818**	**7,216**

The accompanying notes are an integral part of the financial statements

As per our report of even date.

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ORGANIZATION AND NATURE OF OPERATIONS

Statestreet HCL Services (India) Private Limited (hereinafter referred to as "the Company") is primarily engaged in delivering business process outsourcing services to its client from its financial services vertical. The Company was incorporated under the provisions of the Companies Act applicable in India on January 6, 2012, having its registered office at 806, Siddharth, 96, Nehru Place, New Delhi- 110019. The immediate holding company is State Street HCL Holdings (UK) Limited.

The financial statements for the year ended 31 March 2021 were approved and authorized for issue by the Board of Directors on 02 August 2021.

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) prescribed under section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules 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.

These financial statements have been prepared under the historical cost convention on an accrual and going concern basis except for the following assets and liabilities which have been measured at fair value:

a) Certain financial assets and liabilities measured at fair value (refer to the accounting policy regarding financial instruments).
b) Defined benefit plans.

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous year except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy.

All assets and liabilities have been classified as current and non-current as per the Company's normal operating cycle of 12 months. The statement of cash flows has been prepared under indirect method.

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

(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. Actual results could differ from those estimates. Changes in estimates are reflected in the financial statements in the year in which the changes are made.

Significant estimates and assumptions are used for, but not limited to,

i. Recognition of income and deferred taxes, refer note 1(g) and note 2.18
ii. Key actuarial assumptions for measurement of future obligations under employee benefit plans, refer note 1(l) and note 2.22
iii. Useful lives of property, plant and equipment, refer note 1(h)
iv. Lives of intangible assets, refer note 1(i)
v. Key assumptions used for impairment of goodwill, refer note 1(k) and note 2.2
vi. Identification of leases and measurement of lease liabilities and right of use assets, refer note 1(j)
vii. Provisions and contingent liabilities, refer note 1(o) and note 2.24

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

(c) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is the aggregate of the consideration transferred measured at fair value at the acquisition date. Acquisition related costs are expensed as incurred. Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as financial liability is measured at fair value with changes in fair value recognized in the statement of profit and loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net identifiable assets acquired is in excess of the aggregate consideration transferred, the excess is recognized as capital reserve after reassessing the fair values of the net identifiable assets acquired.

(d) 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.

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.

(e) 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 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 goodwill and intangible assets. Goodwill and intangible assets recognized in business combinations are measured at fair value initially and subsequently when there is an indicator of impairment, the impairment is recognized.

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.

(f) Revenue recognition

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 defined, the contract has commercial substance and collectability of consideration is probable.

Business process outsourcing services
Revenue from business process outsourcing services is derived from both time based and unit-price contracts. Revenue with respect to time-and-material, volume based and transaction based contracts is recognized as the related services are performed through efforts expended, volume serviced transactions are processed etc. that correspond with value transferred to customer till date which is related to our right to invoice for services performed.

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

Revenue recognized but not billed to customers is classified either as contract assets or unbilled receivable in our 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).

Revenues are shown net of taxes and applicable discounts and allowances, if any.

Interest income

Interest on the deployment of surplus funds is recognized using the time-proportion method, based on interest rates implicit in the transaction.

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.

(g) Income taxes

Income tax expense comprises current and deferred income tax.

Income tax expense is recognized in the statement of profit and loss. 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.

Deferred tax assets and liabilities are recognized for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred taxes which originate during the tax holiday period are reversed after the tax holiday period. For this purpose, reversal of timing differences is determined using first in first out method.

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 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 tax assets and liabilities is recognized as income or expense in the year that includes the enactment or the substantive enactment date. A deferred 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.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in the statement of profit and loss.

(h) 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 management. Depreciation is charged on a pro-rata basis for assets purchased/sold during the year.

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	5
Computers	4-5
Furniture and fixtures	7

The useful lives as given above best represent the period over which 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 to the Companies Act 2013.

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

(i) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

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 over the estimated useful life of the assets as mentioned below:

Asset description	Asset life (in years)
Software	3

(j) Leases

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

Company as a lessee

Company is lessee in case of office space. These leases are evaluated to determine whether it contains lease based on principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors as defined in Ind AS 116 effective from 1 April 2019.

Right-of-use asset represents the company's right to control the underlying assets under lease and the lease liability is the obligation to make the lease payments related to the underlying asset under lease. Right-of-use asset is measured initially based on the lease liability adjusted for any initial direct costs, prepaid rent, and lease incentives. Right-of-use asset is depreciated based on straight line method over the lease term or useful life of right-of-use asset, whichever is less. Subsequently, right-of-use asset is measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any re measurement of lease liability.

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

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

(k) Impairment of non-financial assets

Goodwill

Goodwill is tested for impairment on an annual basis and whenever there is an indication that goodwill may be impaired, relying on a number of factors including operating results, business plans and future cash flows. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the Company's cash generating units (CGU) expected to benefit from the synergies arising from the business combination. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Impairment occurs when the carrying amount of a CGU including the goodwill, exceeds the estimated recoverable amount of the CGU. The recoverable amount of a CGU is the higher of its fair value less cost to sell and its value-in-use. Value-in-use is the present value of future cash flows expected to be derived from the CGU. Total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU, pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill recognized in the statement of profit and loss is not reversed in the subsequent period.

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.

(l) Retirement and other employee benefits

i. Provident fund: Retirement benefit in the form of provident fund is a defined contribution scheme. The contributions to the provident fund are charged to the statement of profit and loss for each period of service rendered by the employees. The company has no obligation, other than the contribution payable to the provident fund.

ii. 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 lakhs 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.

In respect to certain employees in India, the Company contributes towards gratuity liabilities to the Gratuity Fund Trust. Trustees of the Company administer contributions made to the Trust and contributions are invested in a scheme with Life Insurance Corporation of India as permitted by law.

iii. 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.

iv. 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.

(m) 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.

i. **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 cash equivalents
Cash and cash equivalents 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 assets at amortized cost

A financial asset 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 assets at Fair Value through Other Comprehensive Income (OCI)
A financial asset 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 assets 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 asset at Fair Value through Profit and Loss
Any financial asset, 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.

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

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

ii. **Financial liabilities**

All financial liabilities are recognized initially at fair value and, in the case of payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade payables and other payables.

Financial liabilities at amortized cost
The company's financial liabilities at amortized cost are initially recognized at, net of transaction costs and includes trade payables.

After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest rate (EIR) method except for deferred consideration recognized in a business combination which is subsequently measured at fair value through profit and loss. 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.

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

(n) Earnings per share (EPS)

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.

(o) Provisions and contingent liabilities

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.

The company uses significant judgement to disclose contingent liabilities. Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount cannot be made. Contingent assets are neither recognized nor disclosed in the financial statements.

(p) Recently issued accounting pronouncements

On 24 March 2021, the Ministry of Corporate Affairs (MCA), notified amendments in Schedule III to the Companies Act, 2013 effective from 1 April 2021. Following are key amended provisions which may have an impact on the presentation of financial statements of the company:

Balance sheet:

- Certain additional disclosures in the statement of changes in equity such as changes in equity share capital due to prior period errors and restated balances at the beginning of the current reporting period.
- Specified format for disclosure of shareholding of promoters.
- Specified format for ageing schedule of trade receivables, trade payables and capital work-in-progress.
- Specific disclosure under 'additional regulatory requirement' such as compliance with approved schemes of arrangements, compliance with number of layers of companies, title deeds of immovable property not held in name of Company, loans and advances to promoters, directors, key managerial personnel (KMP) and related parties, details of benami property held etc.

Statement of profit and loss:

- Additional disclosures relating to undisclosed income, Corporate Social Responsibility (CSR) and crypto or virtual currency specified under the head 'additional information' in the notes to the financial statements.

The Company is currently evaluating the impact of these amendment on its financial statements.

Statestreet HCL Services (India) Private Limited
Notes to financial statements for the year ended 31 March 2021

(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 2021

	Plant and machinery	Office Equipment	Computers	Furniture and fittings	Total
Gross block as at 1 April 2020	2,107	767	5,042	2,497	10,413
Additions	68	60	2,187	25	2,340
Disposals	455	41	700	459	1,655
Gross block as at 31 March 2021	**1,720**	**786**	**6,529**	**2,063**	**11,098**
Accumulated depreciation as at 1 April 2020	1,236	413	3,060	1,435	6,144
Charge for the year	279	112	890	276	1,557
Deduction/other adjustments	369	40	700	294	1,403
Accumulated depreciation as at 31 March 2021	**1,146**	**485**	**3,250**	**1,417**	**6,298**
Net Block as at 31 March 2021	**574**	**301**	**3,279**	**646**	**4,800**

The changes in the carrying value for the year ended 31 March 2020

	Plant and machinery	Office Equipment	Computers	Furniture and fittings	Total
Gross block as at 1 April 2019	1,614	534	4,177	2,316	8,641
Additions	493	233	921	181	1,828
Disposals	-	-	56	-	56
Gross block as at 31 March 2020	**2,107**	**767**	**5,042**	**2,497**	**10,413**
Accumulated depreciation as at 1 April 2019	944	309	2,474	1,145	4,872
Charge for the year	292	104	642	290	1,328
Deduction/other adjustments	-	-	56	-	56
Accumulated depreciation as at 31 March 2020	**1,236**	**413**	**3,060**	**1,435**	**6,144**
Net block as at 31 March 2020	**871**	**354**	**1,982**	**1,062**	**4,269**

2.2 Goodwill and intangible assets

The changes in the carrying value for the year ended 31 March 2021

	Goodwill on acquisition of business	Software	Total
Gross block as at 1 April 2020	1,050	136	1,186
Additions	-	-	-
Disposals	-	101	101
Gross block as at 31 March 2021	**1,050**	**35**	**1,085**
Accumulated depreciation as at 1 April 2020	-	134	134
Charge for the year	-	1	1
Deduction/other adjustments	-	100	100
Accumulated depreciation as at 31 March 2021	**-**	**35**	**35**
Net Block as at 31 March 2021	**1,050**	**-**	**1,050**

Statestreet HCL Services (India) Private Limited
Notes to financial statements for the year ended 31 March 2021

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

2.2 Goodwill and intangible assets (continued)

The changes in the carrying value for the year ended 31 March 2020

	Goodwill on acquisition of business	Software	Total
Gross block as at 1 April 2019	1,050	136	1,186
Additions	-	-	-
Disposals	-	-	-
Gross block as at 31 March 2020	**1,050**	**136**	**1,186**
Accumulated depreciation as at 1 April 2019	-	133	133
Charge for the year	-	1	1
Deduction/other adjustments	-	-	-
Accumulated depreciation as at 31 March 2020	**-**	**134**	**134**
Net Block as at 31 March 2020	**1,050**	**2**	**1,052**

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the cash generating units (CGU) , which benefit from the synergies of the acquisition.

Goodwill is tested annually on 31 March for impairment, or sooner whenever there is an indication that goodwill may be impaired. Impairment is recognized, when the carrying amount of a cash generating units (CGU) including the goodwill, exceeds the estimated recoverable amount of the CGU. The estimated value-in-use of this CGU is based on the future cash flow forecasts for 5 years on the basis of certain assumptions which include revenue growth, earnings before interest and taxes, taxes, capital outflow and working capital requirement. The assumptions are taken on the basis of past trends and management estimates and judgement. Future cash flows are discounted with "Weighted Average Cost of Capital". The key assumptions are as follows:

	As at	
	31 March 2021	**31 March 2020**
Growth rate (%)	2.00	2.00
Terminal growth rate (%)	2.00	2.00
Discount rate (%)	10.46	10.09

As at 31 March 2021 and 31 March 2020 the estimated recoverable amount of the CGU exceeded its carrying amount and accordingly, no impairment was recognized. An analysis of the sensitivity of the computation to a change in key assumptions based on reasonable probability did not identify any probable scenario in which the recoverable amount of the CGU would decrease below its carrying amount.

2.3 Other financial assets

	As at	
	31 March 2021	**31 March 2020**
Non - current		
Carried at amortized cost		
Bank deposits with more than 12 months maturity (refer note 1 below)	115	100
Security deposits	1,185	1,056
	1,300	**1,156**
Current		
Carried at amortized cost		
Unbilled receivables-related parties (refer note 2.23)	2,732	3,766
Interest receivable	113	219
Other receivables	1,481	1,481
Security deposits	101	256
Less: Provision for doubtful advances	(9)	-
	4,418	**5,722**

Note:-

1. Pledged with banks as security for guarantees ₹ 115 lakhs (31 March 2020: ₹ 100 lakhs)

Statestreet HCL Services (India) Private Limited
Notes to financial statements for the year ended 31 March 2021

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

2.4 Other non- current assets

	As at	
	31 March 2021	**31 March 2020**
Unsecured considered good unless otherwise stated		
Capital advances	31	1
Deferred contract cost-related party (refer note 2.13 and 2.23)	8,357	10,587
Prepaid expenses	154	86
	8,542	**10,674**

2.5 Trade receivables

	As at	
	31 March 2021	**31 March 2020**
Unsecured, considered good - related party (refer note 2.23)	12,709	7,306
	12,709	**7,306**

2.6 Cash and bank balances

	As at	
	31 March 2021	**31 March 2020**
(a) Cash and cash equivalent		
Balance with banks		
- in current accounts	518	216
- deposits with original maturity of less than 3 months	8,300	7,000
	8,818	**7,216**
(b) Other bank balances		
Deposits with remaining maturity up to 12 months (refer note below)	18,699	12,812
	27,517	**20,028**

Note : Pledged with banks as security for guarantees ₹ 500 lakhs (31 March 2019, ₹ 512 lakhs)

2.7 Other current assets

	As at	
	31 March 2021	**31 March 2020**
Unsecured , considered good		
Advances other than capital advances		
Security deposits	1	4
Advances to employees	40	76
Advances to suppliers	14	33
Prepaid expenses	524	429
Goods and service tax receivable	923	510
Deferred contract cost-related party (refer note 2.13 and 2.23)	2,980	2,463
Other receivables - related party (refer note 2.23)	7	10
	4,489	**3,525**
Unsecured , considered doubtful		
Advances other than capital advances		
Advances to employees	272	242
Less: Provision for doubtful advances	(272)	(242)
	-	-
	4,489	**3,525**

Statestreet HCL Services (India) Private Limited
Notes to financial statements for the year ended 31 March 2021

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

2.8 Share capital

	As at	
	31 March 2021	**31 March 2020**
Authorized 50,000,000 (31 March 2020: 50,000,000) equity shares of ₹ 10 each	5,000	5,000
Issued, subscribed and fully paid up 39,369,285 (31 March 2020: 39,369,285) equity shares of ₹ 10 each	3,937	3,937

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

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

	As at			
	31 March 2021		**31 March 2020**	
	No. of shares	Amount	No. of shares	Amount
Number of shares at the beginning	39,369,285	3,937	39,369,285	3,937
Number of shares at the end	39,369,285	3,937	39,369,285	3,937

Shares held by holding company:

	As at	
	31 March 2021	**31 March 2020**
State Street HCL Holding (UK) Limited, the holding company 39,369,285 (31 March 2020 : 39,369,285) equity shares of ₹ 10 each	3,937	3,937

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

Name of the shareholder				
	31 March 2021		**31 March 2020**	
	No. of shares	% holding in the class	No. of shares	% holding in the class
Equity shares of ₹ 10 each fully paid State Street HCL Holding (UK) Limited, the holding company and its nominee shareholders	39,369,285	100%	39,369,285	100%

As per the records of the Company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

HCL Technologies Limited (HCL) and State Street International Holdings (State Street) has formulated a joint venture where State Street has 51% equity interest and HCL has equity interest of 49% along with 100% dividend rights. The shareholders' agreement provides specific rights to the two shareholders. HCL through the operating committee controls the relevant activities Statestreet HCL Holdings (UK) Limited ("Statestreet UK") which is holding Company of Statestreet HCL Services India Private Limited ("Company"). HCL has exposure to returns through the 100% dividend rights of the Statestreet UK and has ability to influence that returns. Therefore, HCL is having control over the Company.

For the period of five years immediately preceding the date at which the Balance Sheet is prepared, there were no bonus shares issued, no share issued for consideration other than cash and no shares bought back during the year .

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

Capital management

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

2.9 Provisions

	As at	
	31 March 2021	**31 March 2020**
Non - Current		
Provision for employee benefits		
Provision for gratuity (refer note 2.22)	1,051	787
Provision for leave benefits	641	483
	1,692	**1,270**
Current		
Provision for employee benefits		
Provision for gratuity (refer note 2.22)	147	115
Provision for leave benefits	279	164
	426	**279**

2.10 Trade payables

	As at	
	31 March 2021	**31 March 2020**
Trade payables	98	467
Trade payables-related parties (refer note 2.23)	906	981
	1,004	**1,448**

2.11 Other financial liabilities

	As at	
	31 March 2021	**31 March 2020**
Current		
Carried at amortized cost		
Accrued salaries and benefits		
Employee bonuses accrued	504	379
Other employee costs	1,024	735
Others		
Advances received from customers-related parties (refer note 2.23)	2,566	1,170
Liabilities for expenses	1,266	1,680
Liabilities for expenses-related parties (refer note 2.23)	441	444
Capital accounts payables	521	137
	6,322	**4,545**

Statestreet HCL Services (India) Private Limited
Notes to financial statements for the year ended 31 March 2021

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

2.12 Other current liabilities

	As at	
	31 March 2021	**31 March 2020**
Contract liabilities- related party (refer note 2.14 and 2.24)	3,168	-
Travel provision (net of advances)	80	142
Withholding and other taxes payable	196	176
	3,444	**318**

2.13 Revenue from operations

	Year ended	
	31 March 2021	**31 March 2020**
Sale of services	58,335	47,974
	58,335	**47,974**

Disaggregate Revenue Information

The disaggregated revenue from contracts with the customers for the year ended 31 March 2021 and 31 March 2020.

	Year ended 31 March 2021	**Year ended 31 March 2020**
Contract type		
Time and material	58,335	47,974
	58,335	**47,974**
Geography wise		
America	27,816	23,452
Europe	30,520	24,522
	58,335	**47,974**

During the year ended 31 March 2021, 2 customers (31 March 2020, 2 customers) represented 100% revenue of the Company.

Remaining performance obligations

As at 31 March 2021, the aggregate amount of transaction price allocated to remaining performance obligation as per requirement of Ind AS 115 was 43,614 lakhs (31 March 2020, Nil) out of which approximately 24% is expected to be recognized as revenues within one year and the balance beyond one year.after the exclusion of below :

a) Contracts for which we recognize revenues based on the right to invoice for services performed;

b) Variable consideration allocated entirely to a wholly unsatisfied performance obligation or to a wholly unsatisfied promise to transfer a distinct good or service that forms part of a single performance obligation,or;

c) Variable consideration in the form of a sales-based or usage-based royalty promised in exchange for a license of intellectual property.

Statestreet HCL Services (India) Private Limited
Notes to financial statements for the year ended 31 March 2021

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

2.13 Revenue from operations (continued)

Contract liablities : 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 2021	**31 March 2020**
Balance as at 1 April 2019	-	-
Additional amounts billed but not recognized as revenue	3,168	-
Balance as at 31 March 2020	**3,168**	**-**

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 2021	**31 March 2020**
Balance as at 1 April 2020	13,050	955
Additional cost capitalised during the year	3,240	14,303
Deduction on account of cost amortised during the year	(4,953)	(2,208)
Balance as at 31 March 2021	**11,337**	**13,050**

Reconciliation of revenue recognised with the contracted price is as follows:

	Year ended	
	31 March 2021	**31 March 2020**
Contracted price	58,115	48,143
Reduction towards variable consideration components	220	(167)
Balance as at 31 March 2021	**58,335**	**47,974**

The reduction towards variable consideration comprises of volume discounts, service level credits, etc.

2.14 Other income

	Year ended	
	31 March 2021	**31 March 2020**
Interest income		
- On other financial instruments carried at amortized cost	1,094	876
Exchange differences (net)	-	534
Miscellaneous income	22	-
	1,116	**1,410**

2.15 Employee benefits expense

	Year ended	
	31 March 2021	**31 March 2020**
Salaries, wages and bonus (refer note below)	31,549	22,567
Contribution to provident fund and other employee funds	1,435	1,145
Staff welfare expenses	797	255
	33,781	**23,967**

Note : Employee benefit expenses for the year ended 31 March 2021 include ₹ 560 lakhs, being the one-time special bonus paid to employees in recognition of the group achieving the $10 billion revenue mark in the year ended 31 March 2021.

2.16 Finance cost

	Year ended	
	31 March 2021	**31 March 2020**
Bank charges	2	5
Interest		
-on the lease liability	992	781
-on direct taxes	28	90
	1,022	**876**

Statestreet HCL Services (India) Private Limited
Notes to financial statements for the year ended 31 March 2021

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

2.17 Other expenses

	Year ended	
	31 March 2021	**31 March 2020**
Rent (refer note 2.20)	309	530
Power and fuel	842	1,090
Insurance	19	9
Repairs and maintenance		
- Plant and machinery	209	216
- Buildings	841	744
- Others	567	936
Communication costs	1,828	1,156
Travel and conveyance	129	2,989
Legal and professional charges	30	48
Rates and taxes	20	5
Expenditure toward corporate social responsibility activities (refer note 2.27)	222	229
Provision for doubtful debts/ bad debts written off	-	(3)
Loss on sale of property, plant and equipments	252	-
Exchange Differences (net)	268	-
Miscellaneous expenses	432	701
	5,968	**8,650**

2.18 Income taxes

	Year ended	
	31 March 2021	**31 March 2020**
Income tax charged to statement of profit and loss		
Current income tax charge	1,632	1,364
Deferred tax charge (credit)	(23)	(737)
	1,609	**627**
Income tax charged to other comprehensive income		
Expense (benefit) on re-measurements of defined benefit plans	(73)	(46)
	(73)	**(46)**

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 2021	**31 March 2020**
Profit before income tax	8,766	7,909
Statutory tax rate in India	29.12%	29.12%
Expected tax expense	**2,553**	**2,303**
Non-taxable export income	(1,446)	(1,836)
Additional provision created in books	-	84
Reversal of prior year provision	693	-
Permanent differences	(106)	34
Deduction u/s 80JJAA	(103)	(111)
Others	18	153
Total taxes	**1,609**	**627**
Effective income tax rate	18.35%	7.93%

2.18 Income taxes (Continued)

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

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

Corporate taxpayers can opt for a specified lower tax rate in lieu of current applicable tax rate subject to taxpayers not claiming any specified tax incentives including tax incentives available to special economic zone units and carryover of unutilized MAT credit. The Company intends to opt for lower tax rate from 2024-25 by when the Company is expected to utilize the entire unutilized MAT credit. The Company has restated its deferred tax liabilities/ assets balances which are expected to reverse in the period after the Company opts for the lower corporate tax rate.

The Company has an ongoing litigation with tax authorities that arises in the ordinary course of business. The possibility of any outflow in settlement of litigation is remote.

Components of deferred tax assets and liabilities as on 31 March 2021

	Opening balance	Recognized in profit and loss	Recognised in / reclassified from OCI	Closing balance
Deferred tax assets				
MAT credit entitlement	4,742	(737)	-	4,005
Accrued employee costs	239	487	73	799
Depreciation and amortization expense	85	(85)	-	-
Lease rentals	168	417	-	585
Others	91	70	-	161
Gross deferred tax assets (A)	**5,325**	**152**	**73**	**5,550**
Deferred tax liabilities				
Depreciation and amortization	-	129	-	129
Gross deferred tax liabilities (B)	**-**	**129**	**-**	**129**
Net deferred tax assets (A-B)	**5,325**	**23**	**73**	**5,421**

Components of deferred tax assets and liabilities as on 31 March 2020

	Opening balance	Recognized in profit and loss	Recognised in / reclassified from OCI	Closing balance
Deferred tax assets				
MAT credit entitlement	4,119	623	-	4,742
Accrued employee costs	141	52	46	239
Depreciation and amortization expense	104	(19)	-	85
Lease rentals	134	34	-	168
Others	44	47	-	91
Total	**4,542**	**737**	**46**	**5,325**

Statestreet HCL Services (India) Private Limited
Notes to financial statements for the year ended 31 March 2021

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

2.19 Earnings per share

The computation of earnings per share is as follows:

	Year ended	
	31 March 2021	**31 March 2020**
Net profit as per statement of profit and loss for computation of EPS	7,157	7,282
Weighted average number of equity shares outstanding in calculating Basic EPS and Diluted EPS	39,369,285	39,369,285
Nominal value of equity shares (in ₹)	10	10
Earnings per equity share (in ₹)		
- Basic	18.18	18.50
- Diluted	18.18	18.50

2.20 Leases

(a) Company as a lessee

The company's significant leasing arrangements are in respect of leases for office spaces.

The details of the right-of-use asset held by the company is as follows:

	Building
Balance as at 1 April 2019	-
Transition impact of Ind AS 116	4,837
Depreciation charge for the year	(1,998)
Additions	10,992
Balance as at 31 March 2020	**13,831**
Balance as at 1 April 2020	13,831
Depreciation charge for the year	(2,418)
Additions	790
Derecognition	(1,849)
Balance as at 31 March 2021	**10,354**

The reconciliation of lease liabilities is as follows:

	Year ended	
	31 March 2021	**31 March 2020**
Balance as at beginning of the year	14,372	-
Transition impact of Ind AS 116	-	5,220
Additions	728	10,672
Amounts recognized in statement of profit and loss as interest expense	992	781
Payment of lease liabilities	(2,705)	(2,301)
Derecognition	(1,855)	-
Balance as at end of the year	**11,532**	**14,372**

The lease rental expense relating to short-term leases recognized in the statement of profit and loss for the year amounted to ₹ 309 lakhs (31 March 2020, ₹ 530 lakhs).

2.20 Leases (continued)

The following table presents a maturity analysis of expected undiscounted cash flows for lease liabilities :

	As at 31 March 2021	As at 31 March 2020
Within one year	2,783	2,800
One to two years	2,924	2,863
Two to three years	2,628	3,001
Three to five years	2,471	4,178
Thereafter	4,085	6,722
Total lease payments	**14,891**	**19,564**
Imputed interest	(3,359)	(5,192)
Total lease liabilities	**11,532**	**14,372**

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

2.21 Financial instruments

(a) Financial assets and liabilities

The carrying value of financial instruments by categories as at 31 March 2021 is as follows:

	Amortized cost	Total carrying value
Financial assets		
Trade receivables	12,709	12,709
Cash and cash equivalents	8,818	8,818
Other bank balances	18,699	18,699
Others (refer note 2.3)	5,718	5,718
Total	**45,944**	**45,944**
Financial liabilities		
Lease liabilities	11,532	11,532
Trade payables	1,004	1,004
Others (refer note 2.11)	6,322	6,322
Total	**18,858**	**18,858**

The carrying value of financial instruments by categories as at 31 March 2020 is as follows:

	Amortized cost	Total carrying value
Financial assets		
Trade receivables	7,306	7,306
Cash and cash equivalents	7,216	7,216
Other bank balances	12,812	12,812
Others (refer note 2.3)	6,878	6,878
Total	**34,212**	**34,212**
Financial liabilities		
Lease liabilities	14,372	14,372
Trade payables	1,448	1,448
Others (refer note 2.11)	4,545	4,545
Total	**20,364**	**20,364**

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

2.21 Financial instruments (continued)

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

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 through various risk management procedures manages and mitigate this risk.

The Company's risk management procedures aim to reduce volatility in financial statements while maintaining balance between providing predictability in the Company's business plan along with reasonable participation in market movement.

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. The Company is primarily exposed to fluctuation in foreign currency exchange rates.

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 the functional currency. A significant portion of the Company revenue is in US Dollar while a large portion of costs are in Indian rupees. The fluctuation in exchange rates in respect to the Indian rupee may have potential impact on the statement of profit and loss and other comprehensive income and equity.

Appreciation / depreciation of 1% in respective foreign currencies with respect to functional currency of the Company would result in decrease / increase in the Company's profit before tax by approximately ₹ 128 lakhs for the year ended 31 March 2021.

The rate sensitivity is calculated by aggregation of the net foreign exchange rate exposure and a simultaneous parallel foreign exchange rates shift of the currency by 1% against the respective functional currency of the Company. The sensitivity analysis presented above may not be representative of the actual change.

Foreign currency exposure as of 31 March 2021 and 31 March 2020 in major currency is as below:

	Net financial assets		Net financial liabilities	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
USD / INR	15,714	17,515	2,871	2,847

Credit risk

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash and bank balances, trade receivables and unbilled receivables. The cash resources of the Company are invested with banks 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 the United States of America and Europe and accordingly, trade receivables and unbilled receivables is concentrated in the respective countries. 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 trade receivables and unbilled receivables.

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

2.21 Financial instruments (continued)

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

	As at	
	31 March 2021	31 March 2020
Balance at the beginning of the year	-	3
Additional provision during the year	-	-
Deductions on account of write offs and collections	-	3
Balance at the end of the year	-	-

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 financial liabilities based on contractual payments is as below:

	Year 1 (Current)	Year 2	Year 3	Year 4-5 & there after	Total
As at 31 March 2021					
Trade payables	1,004	-	-	-	1,004
Lease liabilities	2,783	2,924	2,628	6,556	14,891
Other financial liabilities	6,322	-	-	-	6,322
Total	**10,108**	**2,924**	**2,628**	**6,556**	**22,217**
As at 31 March 2020					
Trade payables	1,448	-	-	-	1,448
Lease liabilities	2,800	2,863	3,001	10,901	19,564
Other financial liabilities	4,545	-	-	-	4,545
Total	**8,793**	**2,863**	**3,001**	**10,901**	**25,557**

2.22 Employee benefits

The Company has calculated the various benefits provided to employees as given below:

A. Defined contribution plans and state plans

Employer's contribution to Employees State Insurance
Employer's contribution to Employees Provident Fund
Employer's contribution to Employee Pension Scheme

During the year, the Company has recognized the following amounts in the statement of profit

	Year ended	
	31 March 2021	31 March 2020
Employer's contribution to Employees State Insurance	151	167
Employer's contribution to Employees Provident Fund	487	394
Employer's contribution to Employee's Pension Scheme	797	584
Total	**1,435**	**1,145**

B. Defined benefit plans

Gratuity

Statement of profit and loss

	Year ended	
	31 March 2021	31 March 2020
Current Service cost	400	166
Interest cost (net)	52	25
Net benefit expense	**452**	**191**

Statestreet HCL Services (India) Private Limited

Notes to financial statements for the year ended 31 March 2021

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

2.22 Employee benefits (continued)

Balance Sheet

	As at	
	31 March 2021	**31 March 2020**
Defined benefit obligations	1,197	903
Net plan liability	**1,197**	**903**
Current defined benefit obligations	146	115
Non-current defined benefit obligations	1,051	788

Changes in present value of the defined benefit obligations are as follows:

	Year ended	
	31 March 2021	**31 March 2020**
Opening defined benefit obligations	903	407
Current service cost	400	166
Interest cost	52	25
Re-measurement gains (losses) in OCI		
Actuarial changes arising from changes in demographic assumptions	-	18
Actuarial changes arising from changes in financial assumptions	(17)	95
Experience adjustments	(50)	233
Benefits paid	(91)	(41)
Closing defined benefit obligations	**1,197**	**903**

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

	As at	
	31 March 2021	**31 March 2020**
Discount rate	6.35%	6.15%
Estimated Rate of salary increases	8.00%	8.00%
Employee Turnover	23.00%	20.00%
Expected rate of return on assets	N.A.	N.A.

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

Discount rate and future salary escalation rate are the key actuarial assumptions to which the defined benefit obligations are particularly sensitive. The following table summarizes the impact on defined benefit obligations as at 31 March 2021 arising due to an increase / decrease in key actuarial assumptions by 50 basis points:

	Discount rate	**Salary escalation rate**
Impact of increase	1182	1263
Impact of decrease	1265	1182

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

Statestreet HCL Services (India) Private Limited

Notes to financial statements for the year ended 31 March 2021

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

2.22 Employee benefits (continued)

The defined benefit obligations are expected to mature after 31 March 2021 as follows:

Year ending 31 March ,	Cash flows
- 2022	150
- 2023	202
- 2024	308
- 2025	408
- 2026	477
- Thereafter	8,847

The weighted average duration of the payment of these cash flows is 6.86 years.

2.23 Related party disclosures

a) Controlling entity

HCL Technologies Limited ("HCL") and State Street International Holdings ("State Street") has formulated a joint venture where State Street has 51% equity interest and HCL has equity interest of 49% along with 100% dividend rights. The shareholders' agreement provides specific rights to the two shareholders. HCL through the operating committee controls the relevant activities of the Statestreet HCL Holdings (UK) Limited ("Statestreet UK") which is holding Company of Statestreet HCL Services India Private Limited ("Company"). HCL has exposure to returns through the 100% dividend rights of the Statestreet UK and has ability to influence that returns. Therefore, HCL is having control over the Company.

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

Controlling entity	HCL Technologies Limited
Fellow subsidiaries	HCL Investment (UK) Limited
Other (significant influence)	State Street Bank and Trust Company

c) Transactions with related parties during the year in the ordinary course of business:

	Controlling entity		Fellow subsidiary		Significant influence	
	Year ended		Year ended		Year ended	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020
Revenue from operations	-	-	30,520	24,522	27,815	23,452
Other expenses (refer below note)	5,549	4,598	-	-	-	-

Note: Other expenses include outsourcing costs, salary cost, power & fuel and repair & maintenance.

Material related party transactions	Year ended	Year ended
	31 March 2021	31 March 2020
Revenue from operations		
HCL Investment (UK) Limited	30,520	24,522
State Street Bank and Trust Company	27,815	23,452

d) Outstanding balances with related parties

Outstanding balances	Controlling entity		Fellow subsidiary		Significant influence	
	As at		As at		As at	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020
Trade receivables, other financial assets, other non-current and current assets	13	10	10,666	5,852	16,106	18,269
Trade payables, other financial liabilities and other non-current liabilities	1,347	1,425	3,168	-	2,566	1,170

Material outstanding balances with related parties	Year ended	Year ended
	31 March 2021	31 March 2020
Trade receivables, other financial assets, other non-current and current assets		
HCL Investment (UK) Limited	10,666	5,852
State Street Bank and Trust Company	16,106	18,269

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

2.24 Commitments

	As at	
	31 March 2021	**31 March 2020**
Capital Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	11	7
	11	**7**

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

2.25 Micro, Small and Medium 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 2021		For the year ended 31 March 2020	
	Principal	**Interest**	**Principal**	**Interest**
Amount due to vendors	5	-	-	-
Principal amount paid beyond the appointed date	-	-	-	-
Interest under normal credit terms -				
Accrued and unpaid during the year	-	-	-	-
Total interest payable -				
Accrued and unpaid during the year	-	-	-	-

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

2.26 Auditor's remuneration

	Year ended	
	31 March 2021	**31 March 2020**
Audit fees	2	2
Tax audit fees	1	1
Total	**3**	**3**

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

2.27 Corporate social responsibility

As required by the Companies Act, 2013, the gross amount required to be spent by the Company on CSR activities is ₹ 222 lakhs (31 March 2020, ₹ 229 lakhs) and the amount spent is ₹ 222 lakhs (31 March 2020, ₹ 229 lakhs).

2.28 Segment reporting

In the opinion of management company has only one business segment hence there are no reportable segments as envisaged in Ind AS 108 'Operating Segments' notified under section 133 of the Companies Act, 2013 read together with Rule 7 of the Companies (Accounts) Rules 2014.

Revenue disagreegation as per geography is given in note 2.13.

As per our report of even date

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No.: 101248W/W-100022

Vimal Chauhan

Vimal Chauhan
Partner
Membership Number: 511230

Place: Gurugram, India
Date: 02 August 2021

For and on behalf of the Board of Directors
of Statestreet HCL Services (India) Private Limited

prbansal

Prahlad Rai Bansal
Director

Subramanian Gopalakrishnan
Director

S.Singh

Shamsher Singh
Company Secretary

Place: Noida (UP), India
Date: 02 August 2021