Telerx Marketing, Inc.

Financial Statements

For the period 1st April 2018 to 31st December 2018

INDEPENDENT AUDITOR'S REPORT

To the Members of Telerx Marketing, Inc.

Report on the Ind AS Financial Statements

We have audited the accompanying Ind AS financial statements of **Telerx Marketing, Inc.** ("the Company"), which comprise the Balance Sheet as at December 31, 2018, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the **1st April 2018 to December 31, 2018**, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these Ind AS financial statements based on our audit. We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor

PRYD & ASSOCIATES New Delhi 011626N Chartered Accountants considers internal financial control relevant to the Company's preparation of the Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Ind AS financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the Ind AS financial statements give 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 December 31, 2018, its profit including other comprehensive income, its cash flows and the changes in equity for the **period 1st April 2018 to December 31, 2018**.

Other matters

This report covering the financial statements of the Company for the **period 1st April 2018 to December 31, 2018** is intended for the information and use of the board of directors of the Company and HCL Technologies Limited, the ultimate holding company to comply with the financial reporting requirement in India. These financial statements have been prepared in all material respects in accordance with the basis of preparation as set out in Note 1 (a) to the financial statements of the company, which describes the basis of accounting and the related audit covered by the report was carried out following the generally accepted auditing principles in India. Use of these financial statements or the related audit report for any other purpose will be subject to the above explanation.

For M/s PRYD & Associates
F No. 011626N
Chartered Accountants

PRYD & ASSOCIATES New Delhi 011626N Chartered Accountants

CA P M Mittal
M No. 094667
(Partner)

Date – 29 May 2019
Place – New Delhi, India

Telerx Marketing, Inc.
Balance Sheet as at 31 December 2018
(All amounts in thousands, except share data and as stated otherwise)

	Note No.	As at 31 December 2018 (USD)	As at 1 April 2018 (USD)	As at 31 December 2018 Refer note 1(a) (₹)
I. ASSETS				
(1) Non-current assets				
(a) Property, Plant and Equipment	3.1	4,254	5,076	296,956
(b) Capital work in progress		103	560	7,190
(c) Other intangible assets	3.2	3,649	5,260	254,723
(d) Investment in subsidiary	3.3	308	308	21,500
(e) Financial assets				
(i) Others	3.4	351	359	24,502
(f) Deferred tax assets (net)	3.19	101	-	7,080
(g) Other non-current assets	3.5	363	965	25,340
(2) Current assets				
(a) Financial Assets				
(i) Trade receivables	3.6	37,431	61,675	2,612,890
(ii) Cash and cash equivalents	3.7	9,689	8,682	676,353
(iii) Loans	3.8	9,000	-	628,257
(iv) Others	3.4	11,664	-	814,221
(b) Other current assets	3.9	1,082	1,832	75,530
TOTAL ASSETS		77,995	84,717	5,444,542
II. EQUITY				
(a) Equity Share Capital	3.10	2	2	140
(b) Other Equity		51,161	44,994	3,571,360
TOTAL EQUITY		51,163	44,996	3,571,500
III LIABILITIES				
Current liabilities				
(a) Financial Liabilities				
(i) Trade payables	3.11	17,728	31,359	1,237,526
(ii) Others	3.12	6,798	8,203	474,543
(b) Other current liabilities	3.13	-	159	-
(c) Current tax liabilities (net)		2,306	-	160,973
TOTAL EQUITY AND LIABILITIES		77,995	84,717	5,444,542
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 M/s PRYD & Associates
ICAI Firm Registration Number : 011626N
Chartered Accountants

PRYD & Associates New Delhi 011626N Chartered Accountants

per CA P M Mittal
Partner
Membership Number: 094667

Place: New Delhi
Date: 29/5/19

For and on behalf of the Board of Directors
of Telerx Marketing Inc

Raghu Raman Lakshmanan
Director

Anoop Tiwari
Director

Date: 29/5/19

Telerx Marketing, Inc.

Statement of Profit and Loss for the nine months period ended 31 December 2018

(All amounts in thousands, except share data and as stated otherwise)

		Note No.	Nine months period ended 31 December (USD)	Nine months period ended 31 December Refer note 1(a) (₹)
I	**Revenue**			
	Revenue from operations	3.14	146,911	10,255,313
	Other income	3.15	273	19,057
	Total income		**147,184**	**10,274,370**
II	**Expenses**			
	Employee benefits expense	3.16	88,654	6,188,608
	Finance costs	3.17	94	6,562
	Depreciation and amortization expense	3.1 & 3.2	3,288	229,523
	Outsourcing costs		28,565	1,994,017
	Other expenses	3.18	17,956	1,253,443
	Total expenses		**138,557**	**9,672,153**
III	**Profit before tax**		**8,627**	**602,217**
IV	**Tax expense**	3.19		
	Current tax		2,561	178,806
	Deferred tax credit		(101)	(7,080)
	Total tax expense		2,460	171,726
V	**Profit for the year**		**6,167**	**430,491**
VI	**Other comprehensive income**			
	Items that will not be reclassified to statement of profit or loss		-	-
	Items that will be reclassified subsequently to statement of profit or loss		-	-
			-	-
VII	**Total comprehensive income for the period**		**6,167**	**430,491**
	Earnings per equity share of USD 1 par value	3.20		
	Basic		3,083.50	215,245.50
	Diluted		3,083.50	215,245.50
	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 M/s PRYD & Associates
ICAI Firm Registration Number : 011626N
Chartered Accountants

PRYD & Associates New Delhi 011626N Chartered Accountants

per CA P M Mittal
Partner
Membership Number: 094667

Place: New Delhi
Date: 29/5/19

For and on behalf of the Board of Directors of Telerx Marketing Inc

Raghu Raman Lakshmanan
Director

Anoop Tiwari
Director

Date: 29/5/19

Telerx Marketing, Inc.
Statements of cash flows
(All amounts in thousands, except share data and as stated otherwise)

	Nine months period ended 31 December 2018 (USD)	Nine months period ended 31 December 2018 Refer note 1(a) (₹)
A. Cash flows from operating activities		
Profit before tax	8,627	602,217
Adjustment for:		
Depreciation and amortization	3,288	229,523
Provision for doubtful debts	3,996	278,928
Interest income	(70)	(4,886)
Operating profit before working capital changes	**15,841**	**1,105,782**
Movement in Working Capital		
(Increase)/decrease in trade receivables	20,248	1,413,486.35
(Increase)/decrease in other financial assets and other assets	(10,335)	(721,478)
Increase/ (decrease) in trade payables	(13,631)	(951,530)
Increase/ (decrease) in provisions, other financial liabilities and other liabilities	(1,564)	(109,177)
Cash generated from operations	**10,559**	**737,083**
Direct taxes paid (net of refunds)	(154)	(10,750)
Net cash flow from operating activities (A)	**10,405**	**726,333**
B. Cash flows from investing activities		
Purchase of property, plant and equipment and intangibles, including capital work in progress	(398)	(27,781)
Loan to related party	(9,000)	(628,257)
Net cash flow used in investing activities (B)	**(9,398)**	**(656,038)**
Net increase (decrease) in cash and cash equivalents (A+B)	1,007	70,295
Cash and cash equivalents at the beginning of the period	8,682	606,058
Cash and cash equivalents at the end of the period as per note 3.7	**9,689**	**676,353**
Summary of significant accounting policies (Note 1)		

As per our report of even date.

FOR M/s PRYD & Associates
ICAI Firm Registration Number : 011626N
Chartered Accountants

PRYD & Associates New Delhi 011626N Chartered Accountants

per CA P M Mittal
Partner
Membership Number: 094667

Place: New Delhi
Date: 29/5/19

For and on behalf of the Board of Directors of Telerx Marketing Inc

Raghu Raman Lakshmanan
Director

Anoop Tiwari
Director

Date: 29/5/19

Telerx Marketing, Inc.
Statement of Changes in Equity for the nine months period ended 31 December 2018
(All amounts in thousands, except share data and as stated otherwise)

(Amount in USD)

	Equity share capital		Other equity
			Reserves and Surplus
	Shares	Share capital	Retained earnings
Balance as of April 1, 2018	2,000	2	44,994
Profit for the period	-	-	6,167
Other comprehensive income / (loss)	-	-	-
Total comprehensive income for the period	-	-	6,167
Balance as of December 31, 2018	2,000	2	51,161
Balance as of December 31, 2018 (₹)	2,000	140	3,571,360

Summary of significant accounting policies (Note 1)

As per our report of even date.

FOR M/s PRYD & Associates
ICAI Firm Registration Number : 011626N
Chartered Accountants

PRYD & ASSOCIATES New Delhi 011626N Chartered Accountants

per CA P M Mittal
Partner
Membership Number: 094667

Place: New Delhi
Date: 29/5/19

For and on behalf of the Board of Directors
of Telerx Marketing Inc

Raghu Raman Lakshmanan
Director

Anoop Tiwari
Director

Date: 29/5/19

ORGANIZATION AND NATURE OF OPERATIONS

Telerx Marketing Inc (hereinafter referred to as the 'Company') is multi-channel customer engagement services provider, specializing in global, high-touch consumer, patient, and end-user management. The Company was incorporated on 18th January 1980, having its registered office at 1635 Marketing Street, Philadelphia, Pennsylvania, 19103.

The financial statements for the year ended 31st December, 2018 were approved and authorized for issue by the Board of Directors on 29 May 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).

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).

On 6th April, 2018 the Company was acquired by HCL America, Inc. (a wholly owned step down subsidiary of the HCL Technologies Limited) As the company is preparing financials for the first time, the accompanying balance sheet reflects balances as on acquisition date and same are unaudited.

As the company is not domiciled in India and hence not registered under Companies Act 2013, these financial statements have not been prepared to fully comply with the Companies Act 2013, and so they do not reflect all the disclosures requirements of the Act.

The functional currency of the Company is US Dollar (USD). The translation from USD to ₹ is unaudited and is included solely for the convenience of readers in India and has been performed using rate of USD 1 = 69.8063, the exchange rate prevailing as at the last day of the financial year. Such translation should not be construed as representation that the ₹ amount represents, or have been or could be converted into, USD at that or any other rate.

(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

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 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.

(d) Revenue recognition

Contracts involving provision of services and material

Revenue is recognized when, or as, control of a promised service or good transfers to a 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.

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

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

Fixed Price contracts

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

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

In arrangements involving sharing of customer revenues, revenue is recognized when the right to receive is established. Incremental revenue from existing contracts arising on future sales to the customers is recognized when it is earned and collectability is reasonably assured.

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 Company 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 Company 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.

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 are considered as fulfillment cost which are directly related to contract and result in generation or enhancement of resources and are expected to be recoverable under the contract and thereby these contract fulfillment assets 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 cash flows from the arrangement are periodically estimated and compared with the unamortized costs. If the unamortized costs exceed the undiscounted cash flow, a loss is recognized.

In instances when revenue is derived from sales of third-party vendor services, material or licenses, revenue is recorded on a gross basis when the 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 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 receivable represents contracts where right to consideration is unconditional (i.e. only the passage of time is required before the payment is due).

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

(e) 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 income 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 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.

(f) 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.

All other 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)
Computers	4-5
Plant and equipment (including air conditioners, electrical installations)	10
Furniture and fixtures	7
Leasehold-improvements	Over the lease period or useful life of the asset, 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.

(g) 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

(h) Leases

Company as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that does not transfer substantially all the risks and rewards incidental to ownership to the Company is classified as operating lease.

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

(i) *Inventory*

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

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

(j) 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.

(k) Retirement and other employee benefits

(i) Compensated absences: The employees of the Company are entitled to compensated absences which are both accumulating and non-accumulating in nature. The expected cost of accumulating compensated absences is determined by based on the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the balance sheet date. Accumulated leave, which is expected to be utilized within the next 12 months, is treated as a short-term employee benefit and accumulated leave expected to be carried forward beyond twelve months is treated as a long-term employee benefit for measurement purposes. The expense on non-accumulating compensated absences is recognized in the period in which the absences occur.

(ii) In respect of social security, a defined contribution plan for applicable employees, the Company contributes to a scheme 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 social security beyond its contributions.

(l) *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 equivalent

Cash in the balance sheet comprise cash in banks, which is 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.

Derecognition of financial assets

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

Impairment of financial assets

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

ii. **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.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis to realize the assets and settle the liabilities simultaneously.

(m) Earnings per share (EPS)

Basic EPS amounts are computed by dividing the net profit attributable to the equity holders of the parent 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 parent 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.

2. ACQUISITION OF BUSINESS OF TELERX MARKETING INC.

HCL America, Inc. (a wholly owned step down subsidiary of the HCL Technologies Limited) acquired Telerx Marketing, Inc. (doing business as C3i Solutions) a company formed under the laws of State of Delaware, pursuant to which Telerx Marketing, Inc. and all its subsidiaries have become the wholly owned subsidiary(ies) of HCL America Inc., with effect from the date of completion of acquisition, i.e. April 06, 2018.

Telerx Marketing, Inc.
Notes to financial statements for the nine months period ended 31 December 2018
(All amounts in thousands, except share data and as stated otherwise)

3.1 Property, plant and equipment

The changes in the carrying value for the period ended 31 December 2018 (Amount in USD)

	Computers (USD)	Plant & equipment (USD)	Furniture and fixtures (USD)	Total (USD)
Gross block as at 1 April 2018	**5,601**	**815**	**13,607**	**20,023**
Additions	9	162	221	392
Disposals	(1,270)	(4)	(7,434)	(8,708)
Gross block as at 31 December 2018	**4,340**	**973**	**6,394**	**11,707**
Accumulated depreciation as at 1 April 2018	3,172	138	11,637	**14,947**
Charge for the year	792	137	284	1,213
Deduction/ other adjustments	(1,269)	(4)	(7,434)	(8,707)
Accumulated depreciation as at 31 December 2018	**2,695**	**271**	**4,487**	**7,453**
Net block as at 31 December 2018	**1,645**	**702**	**1,907**	**4,254**
Net block as at 1 April 2018	**2,429**	**677**	**1,970**	**5,076**

The changes in the carrying value for the period ended 31 December 2018 (Amount in ₹)

	Computers (₹)	Plant & equipment (₹)	Furniture and fixtures (₹)	Total (₹)
Gross block as at 1 April 2018	**390,985**	**56,892**	**949,854**	**1,397,731**
Additions	628	11,309	15,427	27,364
Disposals	(88,654)	(279)	(518,940)	(607,873)
Gross block as at 31 December 2018	**302,959**	**67,922**	**446,341**	**817,222**
Accumulated depreciation as at 1 April 2018	221,426	9,633	812,336	**1,043,395**
Charge for the year	55,287	9,563	19,825	84,675
Deduction/ other adjustments	(88,585)	(279)	(518,940)	(607,804)
Accumulated depreciation as at 31 December 2018	**188,128**	**18,917**	**313,221**	**520,266**
Net block as at 31 December 2018	**114,831**	**49,005**	**133,120**	**296,956**
Net block as at 1 April 2018	**169,559**	**47,259**	**137,518**	**354,336**

3.2 Other intangible assets

The changes in the carrying value for the period ended 31 December 2018

	Software (USD)	Software (₹)
Gross block as at 1 April 2018	**14,577**	**1,017,566**
Additions	464	32,390
Disposals	(1,298)	(90,609)
Gross block as at 31 December 2018	**13,743**	**959,347**
Accumulated depreciation as at 1 April 2018	9,317	650,385
Charge for the year	2,075	144,848
Deduction/ other adjustments	(1,298)	(90,609)
Accumulated depreciation as at 31 December 2018	**10,094**	**704,624**
Net block as at 31 December 2018	**3,649**	**254,723**
Net block as at 1 April 2018	**5,260**	**367,181**

(All amounts in thousands, except share data and as stated otherwise)

3.3 Investments

	As at		
	31 December 2018	1 April 2018	31 December 2018
	(USD)	(USD)	(₹)
Investment in subsidiaries			
C3i Europe Eood			
1,505 BGN equity share of BGN 100 each	83	83	5,773
C3i Japan GK			
1 equity share of JPY 1	0	0	-
C3i Services & Technologies (Dalian) Co, Ltd			
Capital RMB 1,960,369 (Equivalent to USD 300,000)	0	0	3
C3i Support Services Pvt Ltd			
1542106 equity shares of Rs. 10 each (1 equity share is held by C3i Eood)	225	225	15,724
C3i UK Limited			
1 Ordinary share of Pound 1	0	0	-
	308	**308**	**21,500**

3.4 Other financial assets

	As at		
	31 December 2018	1 April 2018	31 December 2018
	(USD)	(USD)	(₹)
Non - current			
Security deposits	351	359	24,502
	351	**359**	**24,502**
Current			
Carried at amortized cost			
Interest receivable- related party (refer note 3.22)	70	-	4,886
Unbilled revenue	11,594	-	809,335
	11,664	**-**	**814,221**

3.5 Other non- current assets

	As at		
	31 December 2018	1 April 2018	31 December 2018
	(USD)	(USD)	(₹)
Unsecured considered good			
Security deposits	363	965	25,340
	363	**965**	**25,340**

3.6 Trade Receivable

	As at		
	31 December 2018	1 April 2018	31 December 2018
	(USD)	(USD)	(₹)
Unsecured considered good	37,431	61,675	2,612,890
Unsecured considered doubtful	3,996	-	278,928
	41,427	**61,675**	**2,612,890**
Provision for doubtful receivables	(3,996)	-	(278,928)
	37,431	**61,675**	**2,612,890**

(All amounts in thousands, except share data and as stated otherwise)

3.7 Cash and cash equivalent

	As at		
	31 December 2018	1 April 2018	31 December 2018
	(USD)	(USD)	(₹)
Balance with banks			
- in current accounts	9,689	8,682	676,353
	9,689	8,682	676,353

3.8 Financial Assets - Loans

	As at		
	31 December 2018	1 April 2018	31 December 2018
	(USD)	(USD)	(₹)
Current			
Unsecured , considered good			
Loan given to related party (refer note 3.22)	9,000	-	628,257
	9,000	-	628,257

3.9 Other current assets

	As at		
	31 December 2018	1 April 2018	31 December 2018
	(USD)	(USD)	(₹)
Unsecured , considered good			
Prepaid expenses	1,077	1,560	75,181
Others	5	272	349
	1,082	1,832	75,530

3.10 Share Capital

	As at		
	31 December 2018	1 April 2018	31 December 2018
	(USD)	(USD)	(₹)
Authorised share capital			
5,000 authorized shares of voting common stock, par value of USD 1 per share			
5,000 authorized shares of Class A non-voting common stock, par value of USD 1 per share			
Issued, subscribed and fully paid up			
Voting common stock			
1,000 (1 April 2018, 1,000) equity share of USD 1	1	1	70
Class A, non-voting common stock			
1,000 (1 April 2018, 1,000) equity share of USD 1	1	1	70
	2	2	140

Terms/ rights attached to equity shares

The Company has two classes of shares, 1000 shares of voting common stock having par value of USD 1 per share and 1000 shares of Class A, non-voting common stock having par value of USD 1 per share.

In the event of liquidation of the Company, the shareholders will be entitled to receive remaining assets of the company, after distribution of all preferential amounts.

Telerx Marketing, Inc.

Notes to financial statements for the nine months period ended 31 December 2018

(All amounts in thousands, except share data and as stated otherwise)

Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period

	As at			
	31 December 2018		31 December 2018	
	No. of shares	USD	No. of shares	₹
Number of shares at the beginning	2,000	2	2,000	140
Add: shares issued during the period	-	-	-	-
Number of shares at the end	2,000	2	2,000	140

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

Name of the shareholder	As at			
	31 December 2018		1 April 2018	
	No. of shares	% holding in the class	No. of shares	% holding in the class
Equity shares of USD 1 each fully paid				
HCL America Inc.	2,000	100%	2,000	100%

As per register of shareholders regarding beneficial interest, the above shares-holding represent both legal and beneficial ownership of shares.

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.

3.11 Trade payables

	As at		
	31 December 2018	1 April 2018	31 December 2018
	(USD)	(USD)	(₹)
Trade payables	1,628	3,603	113,645
Trade payables-related parties (refer note 3.22)	16,100	27,756	1,123,881
	17,728	**31,359**	**1,237,526**

3.12 Other financial liabilities

	As at		
	31 December 2018	1 April 2018	31 December 2018
	(USD)	(USD)	(₹)
Current			
Carried at amortized cost			
Other employee costs	4,676	6,591	326,414
Liabilities for expenses	2,122	1,612	148,129
	6,798	**8,203**	**474,543**

3.13 Other current liabilities

	As at		
	31 December 2018	1 April 2018	31 December 2018
	(USD)	(USD)	(₹)
Revenue received in advance	-	159	-
	-	**159**	**-**

3.14 Revenue from operations

	Nine months period ended	
	31 December 2018	31 December 2018
	(USD)	(₹)
Sale of services	146,911	10,255,313
	146,911	**10,255,313**

Telerx Marketing, Inc.

Notes to financial statements for the nine months period ended 31 December 2018

(All amounts in thousands, except share data and as stated otherwise)

3.15 Other income

	Nine months period ended	
	31 December 2018	31 December 2018
	(USD)	(₹)
Interest income on loans from related parties	70	4,886
Miscellaneous income	203	14,171
	273	**19,057**

3.16 Employee benefits expense

	Nine months period ended	
	31 December 2018	31 December 2018
	(USD)	(₹)
Salaries, wages and bonus	88,654	6,188,608
	88,654	**6,188,608**

3.17 Finance cost

	Nine months period ended	
	31 December 2018	31 December 2018
	(USD)	(₹)
Bank charges	94	6,562
	94	**6,562**

3.18 Other expenses

	Nine months period ended	
	31 December 2018	31 December 2018
	(USD)	(₹)
Rent	3,053	213,119
Power and fuel	777	54,239
Repairs and maintenance		
- Plant and equipment	490	34,205
-Buildings	348	24,293
-Others	472	32,949
Communication costs	2,842	198,390
Travel and conveyance	918	64,082
Legal and professional charges	160	11,169
Provision for doubtful debts / bad debts written off	375	26,177
Software license fee	5,131	358,176
Exchange differences (net)	12	838
Recruitment, training and development	410	28,621
Miscellaneous expenses	2,968	207,185
	17,956	**1,253,443**

(All amounts in thousands, except share data and as stated otherwise)

3.19 Income taxes

	As at	
	31 December 2018	31 December 2018
	(USD)	(₹)
Income tax charged to statement of profit and loss		
Current income tax charge	2,561	178,806
Deferred tax charge (credit)	(101)	(7,080)
	2,460	**171,726**

The reconciliation between the provision for income tax and amount computed by applying the statutory income tax rate is as follows:

	Period ended		
	31 December 2018	1 April 2018	31 December 2018
	(USD)	(USD)	(₹)
Profit before income tax	8,627	-	602,218
Statutory tax rate	26%	-	26%
Expected tax expense	**2,243**	-	**156,577**
Adjustment in respect of prior year	(38)	-	(2,668)
Total taxes	**2,205**	-	**153,909**
Effective income tax rate	26%	-	26%

Components of deferred tax assets and liabilities as on 31 December 2018 (Amount in USD)

	Opening balance	Recognized in profit and loss	Closing balance
Deferred tax assets			
Incremental liability	-	1,216	1,216
Accrued liability	-	552	552
Gross deferred tax assets (A)	-	1,768	1,768
Deferred tax liabilities			
Depreciation	-	1,666	1,666
Gross deferred tax liabilities (B)	-	1,666	1,666
Net deferred tax assets/(liabilities) (A-B)	-	101	101

Components of deferred tax assets and liabilities as on 31 December 2018 (Amount in ₹)

	Opening balance	Recognized in profit and loss	Closing balance
Deferred tax assets			
Incremental liability	-	84,870	84,870
Accrued liability	-	38,519	38,519
Gross deferred tax assets (A)	-	123,389	123,389
Deferred tax liabilities			
Depreciation	-	116,309	116,309
Gross deferred tax liabilities (B)	-	116,309	116,309
Net deferred tax assets/(liabilities) (A-B)	-	7,080	7,080

(All amounts in thousands, except share data and as stated otherwise)

3.20 Earnings Per Share

The computation of earnings per share is as follows:

	31 December 2018	31 December 2018
	(USD)	(₹)
Net profit as per statement of profit and loss for computation of EPS	6,167	430,491
Weighted average number of equity shares outstanding in calculating Basic EPS	2,000	2,000
Dilutive effect of stock options outstanding	-	-
Weighted average number of equity shares outstanding in calculating dilutive EPS	2,000	2,000
Nominal value of equity shares	1	1
Earnings per equity share		
- Basic	3,083.50	215,245.50
- Diluted	3,083.50	215,245.50

3.21 Segment Reporting

The Company's operations predominantly relate to providing a range of IT services targeted at Global 2000 companies spread across America, Europe & Rest of the World. IT services include software services & IT infrastructure management services. Within software services, the Company provides application development & maintenance, enterprise application, next generation SAAS (Software As A Service) application services and engineering and R&D (Research and Development) services to several global customers. Infrastructure management services involve managing customer's IT assets effectively.

The Chief Operating Decision Maker ("CODM") evaluates the Company's performance by business segment, comprising software services, infrastructure management services and business process outsourcing services. Accordingly, the above stated business segments have been identified as reportable segments for the purpose of segment reporting. The CODM assesses the performance of the operating segments based on a measure of segment earnings.

The Company has three geographic segments : America, Europe and Rest of the world.

Segment accounting policies

The accounting principles used in the preparation of the financial statements are consistently applied to record revenue and expenditure in individual segments and are as set out in note 1 to the financial statements on significant accounting policies. The accounting policies in relation to segment accounting are as under:

a) Segment revenue and expenses

Segment revenue is directly attributable to the segment and segment expenses have been allocated to various segments on the basis of specific identification. However, segment revenue does not include other income. Segment expenses do not include finance cost.

b) Segment assets and liabilities

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

Telerx Marketing, Inc.
Notes to financial statements for the nine months period ended 31 December 2018
(All amounts in thousands, except share data and as stated otherwise)

Financial information about the business segments for the year ended 31 December 2018 is as follows: (Amt in USD)

	Software services	Business Process Outsourcing services	IT Infrastructure services	Total
Segment revenues	14,519	81,442	50,949	146,911
Less : Inter-segment revenue	-	-	-	-
Net revenue of operations from external customers	**14,519**	**81,442**	**50,949**	**146,911**
Segment Results	**836**	**4,690**	**2,934**	**8,460**
Unallocated corporate expenses				-
Finance cost				(94)
Other income				273
Exchange difference (net)				(12)
Profit before share of profit (loss) of associate and tax				**8,627**
Tax expense				(2,460)
Net profit after taxes				**6,167**
Significant non-cash items				
Depreciation and amortization				3,288
Provision for doubtful debts & advances / bad debts & advances written off				375

Financial information about the business segments for the year ended 31 December 2018 is as follows: (Amt in ₹)

	Software services	Business Process Outsourcing services	IT Infrastructure services	Total
Segment revenues	1,013,550	5,685,179	3,556,584	10,255,313
Less : Inter-segment revenue	-	-	-	-
Net revenue of operations from external customers	**1,013,550**	**5,685,179**	**3,556,584**	**10,255,313**
Segment Results	58,365	327,390.68	204,805	**590,561**
Unallocated corporate expenses				-
Finance cost				(6,562)
Other income				19,057
Exchange difference (net)				(838)
Profit before share of profit (loss) of associate and tax				**602,217**
Tax expense				(171,726.50)
Net profit after taxes				**430,491**
Significant non-cash items				
Depreciation and amortization				229,523
Provision for doubtful debts & advances / bad debts & advances written off				26,177

Segment revenue from customers by geographic area based on location of the customer is as follows:

	Nine months period ended	
	31 December 2018	31 December 2018
	(RON)	(₹)
America	146,911	10,255,313
Total	**146,911**	**10,255,313**

3.22 Related party transactions

a) Related parties where control exists
Ultimate Holding Company
HCL Technologies Limited

Holding Company
HCL America Inc.

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

Holding Company
HCL America Inc.

Fellow Subsidiaries
C3i (UK) Limited
C3i Europe Eood
C3i Japan GK
C3i Services &Technology Dalian Co. Ltd.
C3i Support Services Private Limited

Telerx Marketing, Inc.
Notes to financial statements for the nine months period ended 31 December 2018
(All amounts in thousands, except share data and as stated otherwise)

Transactions with related parties during the normal course of business	Interest Income	Outsourcing cost
For the Year 2018 (USD)		
Holding Company	70	-
Fellow Subsidiaries	-	26,545
Total	**70**	**26,545**
For the Year 2018 (₹)		
Holding Company	4,886	-
Fellow Subsidiaries	-	1,853,008
Total	**4,886**	**1,853,008**

c) Outstanding balances

Outstanding balances	Trade Payables and other Current Liabilities	Loans to Related Parties	Interest Receivable	Investments
As on 31st December, 2018 (USD)				
Holding Company	-	9,000	70	-
Fellow Subsidiaries	16,100	-	-	308
Total	**16,100**	**9,000**	**70**	**308**
As on 31st December, 2018 (₹)				
Holding Company	-	628,257	4,886	-
Fellow Subsidiaries	1,123,881	-	-	21,500
Total	**1,123,881**	**628,257**	**4,886**	**21,500**

4. Previous year comparatives

On 6th April 2018, company was acquired by HCL America Inc., a wholly owned subsidiary of HCL Technologies Limited. As the company is preparing financials for the first time, comparative figures reflect balances as on acquisition date.

As per our report of even date

FOR M/s PRYD & Associates
ICAI Firm Registration Number : 011626N
Chartered Accountants

PRYD & Associates New Delhi 011626N Chartered Accountants

per CA P M Mittal
Partner
Membership Number: 094667

Place: New Delhi
Date : 29/5/19

For and on behalf of the Board of Directors
of Telerx Marketing Inc

Raghu Raman Lakshmanan
Director

Anoop Tiwari
Director

Date : 29/5/19