

# Price Waterhouse

Chartered Accountants

## INDEPENDENT AUDITORS' REPORT

### TO THE MEMBERS OF HCL INFOTECH LIMITED

#### Report on the Financial Statements

1. We have audited the accompanying financial statements of HCL Infotech Limited ("the Company"), which comprise the Balance Sheet as at June 30, 2015, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

#### Management's Responsibility for the Financial Statements

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements to give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. 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 design, implementation and maintenance of adequate internal financial controls, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit.
4. We have taken into account the provisions of the Act and the Rules made thereunder including the accounting standards and matters which are required to be included in the audit report.
5. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements 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.
6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the 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 financial statements.
7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

#### Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at June 30, 2015, and its loss and its cash flows for the year ended on that date.




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**Report on Other Legal and Regulatory Requirements**

9. As required by 'the Companies (Auditor's Report) Order, 2015', issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act (hereinafter referred to as the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order.
10. As required by Section 143 (3) of the Act, we report that:
- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
  - (e) On the basis of the written representations received from the directors as on June 30, 2015 taken on record by the Board of Directors, none of the directors is disqualified as on June 30, 2015 from being appointed as a director in terms of Section 164 (2) of the Act.
  - (f) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our knowledge and belief and according to the information and explanations given to us:
    - i. The Company has disclosed the impact, if any, of pending litigations as at June 30, 2015 on its financial position in its financial statements – Refer Note 27.
    - ii. The Company has made provision as at June 30, 2015, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts - Refer Note 8. The Company did not have any long-term derivative contracts as at June 30, 2015.
    - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended June 30, 2015.

For Price Waterhouse  
Firm Registration Number: 301112E  
Chartered Accountants

  
Avijit Mukerji  
Partner  
Membership Number: 056155

Place: Gurgaon  
Date: August 20, 2015

**Annexure to Independent Auditors' Report**

Referred to in paragraph 9 of the Independent Auditors' Report of even date to the members of HCL Infotech Limited on the financial statements as of and for the year ended June 30, 2015

- i. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.  
  
(b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies have been noticed on such verification.
- ii. (a) The inventory has been physically verified by the Management during the year. In our opinion, the frequency of verification is reasonable.  
  
(b) In our opinion, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.  
  
(c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
- iii. The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 189 of the Act. Therefore, the provisions of Clause 3(iii), (iii)(a) and (iii)(b) of the said Order are not applicable to the Company.
- iv. In our opinion, and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across, nor have been informed of, any continuing failure to correct major weaknesses in the aforesaid internal control system.
- v. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the rules framed there under to the extent notified.
- vi. The Central Government of India has not specified the maintenance of cost records under sub-section (1) of Section 148 of the Act for any of the products of the Company.
- vii. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues in respect of value added tax and is regular in depositing the undisputed statutory dues, including provident fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, duty of customs, duty of excise, sales tax, and other material statutory dues, as applicable, with the appropriate authorities.  
  
(b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income-tax, service-tax and duty of customs which have not been deposited on account of any dispute. The particulars of dues of sales tax as at June 30, 2015 which have not been deposited on account of a dispute, are as follows:



**Annexure to Independent Auditors' Report**

Referred to in paragraph 9 of the Independent Auditors' Report of even date to the members of HCL Infotech Limited on the financial statements for the year ended June 30, 2015

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Name of the statute	Nature of dues	Amount (Rs./Crores)	Amount deposited under protest (Rs./Crores)	Period to which the amount relates	Forum where the dispute is pending
U.P. Trade Tax Act, 1948	Sales Tax	1.35	0.74	2002-2014	Commercial Tax Tribunal, Noida/Additional Commissioner (Appeals) of Commercial Tax Noida/Hon'ble High court Allahabad
Delhi Value Added Tax Act, 2004	Sales Tax and Trade Tax	1.07	0.08	2003-2006	Assessing Authority Sales Tax, Delhi/Deputy Commissioner (Appeals) of Sales Tax, Delhi
Rajasthan Sales Tax Act, 1994	Commercial Tax	0.77	0.17	2006-2013	Deputy Commissioner (Appeals) of Commercial Tax Jaipur/ Assessing Officer
Kerala General Sales Tax Act, 1963	Sales Tax	0.09	0.04	2001-2014	Tribunals of Sales Tax Kochi/ Dy. Commissioner Commercial Tax Kochi
Jammu & Kashmir Value Added Tax Act, 2005	Sales Tax	0.21	0.21	2007-2014	Dy. Commissioner Appeals Jammu
Punjab Value Added Tax Act-2005	Sales Tax	0.04	0.01	2007-2008	Dy. Commissioner Appeals, Punjab
Karnataka Value Added Tax Act, 2003	Sales Tax	0.72	1.00	2006-2011	Dy. Commissioner Appeals, Bangalore
Himachal Pradesh Value Added Tax Act-2005	Sales Tax	0.02	0.02	2006-2013	Assistant Commissioner of Sales Tax Shimla
Orissa Value Added Tax Act, 2004	Sales Tax	0.58	0.14	2005-2011	Dy. Commissioner Appeal (Bhubaneswar)/ Jt. Commissioner Appeal (Patna)
Jharkhand Value Added Tax Act, 2005	Sales Tax	0.05	0.05	2012-2013	Assessing officer (Ranchi)

- (c) There are no amounts required to be transferred by the Company to the Investor Education and Protection Fund in accordance with the provisions of the Companies Act, 1956 and the rules made thereunder.
- viii. As the Company is registered for a period less than five years, the provisions of Clause 3(viii) of the Order are not applicable to the Company.
- ix. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.



**Annexure to Independent Auditors' Report**


Referred to in paragraph 9 of the Independent Auditors' Report of even date to the members of HCL Infotech Limited on the financial statements for the year ended June 30, 2015

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- x. In our opinion, and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year. Accordingly, the provisions of Clause 3(x) of the Order are not applicable to the Company
- xi. In our opinion, and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained.
- xii. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of any such case by the Management.

Place: Gurgaon  
Date: August 20, 2015

For Price Waterhouse  
Firm Registration Number: 301112E  
Chartered Accountants

  
Avijit Mukerji  
Partner  
Membership Number: 056155

**HCL Infotech Limited**  
**Balance Sheet as at June 30, 2015**

			As at 30.06.2015 ₹/Crores	As at 30.06.2014 ₹/Crores
<b>Equity and Liabilities:</b>				
<b>Shareholder's funds</b>				
Share capital	2	0.05	0.05	
Reserves and surplus	3	52.85	207.95	208.00
<b>Non-current liabilities</b>				
Long-term borrowings	4	60.27	88.13	
Other long-term liabilities	5	4.60	1.48	
Long-term provisions	6	2.20	2.60	92.21
<b>Current liabilities</b>				
Short-term borrowings	7	946.06	683.22	
Trade payables	8	598.88	679.87	
Other current liabilities	9	155.79	283.57	
Short-term provisions	10	2.05	2.54	1,649.20
<b>Total Equity and Liabilities</b>			<b>1,822.75</b>	<b>1,949.41</b>
<b>Assets:</b>				
<b>Non-current assets</b>				
Fixed assets				
- Tangible assets	11	24.34	28.25	
- Intangible assets	11	4.90	8.40	
- Capital work-in-progress		0.03	9.44	
Non-current investments	12	8.41	8.41	
Long-term loans and advances	13	55.08	30.58	
Other non-current assets	14	96.94	153.89	238.97
<b>Current assets</b>				
Inventories	15	36.48	78.79	
Trade receivables	16	503.92	426.95	
Cash and cash equivalents	17	4.18	54.99	
Short-term loans and advances	18	65.77	99.12	
Other current assets	19	1,022.70	1,050.59	1,710.44
<b>Total Assets</b>			<b>1,822.75</b>	<b>1,949.41</b>

**Significant Accounting Policies**

This is the Balance Sheet referred to in our report of even date

For Price Waterhouse  
Firm Registration Number-301112E  
Chartered Accountants

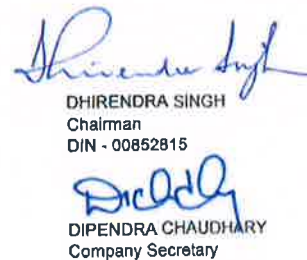

  
**AVIJIT MUKERJI**  
Partner  
Membership Number - 058155

Place : Noida  
Date : August 20, 2015

The notes referred to above form an integral part of the Balance Sheet

For and on behalf of the Board of Directors

  
**PREMKUMAR SESHADRI**  
Director  
DIN - 03114983  
  
**S G MURALI**  
Group Chief Financial Officer

  
**DHIRENDRA SINGH**  
Chairman  
DIN - 00852815  
  
**DIPENDRA CHAUDHARY**  
Company Secretary

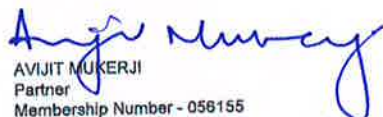
**HCL Infotech Limited****Statement of Profit and Loss for the year ended June 30, 2015**

	Notes	Year ended 30.06.2015 ₹/Crores	Year ended 30.06.2014 ₹/Crores
<b>Revenue:</b>			
Revenue from operations (gross)	20	889.24	1,149.95
Other Income	21	28.25	39.49
<b>Total Revenue</b>		<b>917.49</b>	<b>1,189.44</b>
<b>Expenses:</b>			
Purchases of stock-in-trade	30	406.86	799.56
Changes in inventories of stock-in-trade	22	42.30	5.15
Other direct expense	23	266.76	164.60
Employee benefits expense	24	95.63	128.42
Finance costs	25	121.45	71.79
Depreciation and amortisation expense	11	12.67	11.33
Net Loss on Foreign Exchange Fluctuation (Other than considered as Finance cost)		1.32	34.79
Other expenses	26	135.60	119.18
<b>Total Expense</b>		<b>1,072.59</b>	<b>1,334.82</b>
<b>Loss for the year</b>		<b>(155.10)</b>	<b>(145.38)</b>
<b>Loss per equity share (In ₹)</b>	36		
Basic (of ₹ 10/- each)		(31,020.00)	(29,076.00)
Diluted (of ₹ 10/- each)		(31,020.00)	(29,076.00)

**Significant Accounting Policies**

This is the Statement of Profit and Loss referred to in our report of even date

For Price Waterhouse  
Firm Registration Number-301112E  
Chartered Accountants

  
AVIJIT MUKERJI  
Partner  
Membership Number - 058155

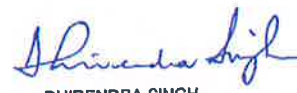
Place : Noida  
Date : August 20, 2015


The notes referred to above form an integral part of the Statement of Profit and Loss

For and on behalf of the Board of Directors

  
PREMKUMAR SESHADRI  
Director  
DIN - 03114983

  
S G MURALI  
Group Chief Financial Officer

  
DHIRENDRA SINGH  
Chairman  
DIN - 00852815

  
DIPENDRA CHAUDHARY  
Company Secretary

**HCL Infotech Limited**  
**Cash Flow Statement for the year ended June 30, 2015**

	Year ended 30.06.2015 ₹/Crores	Year ended 30.06.2014 ₹/Crores
<b>1. Cash Flow from Operating Activities:</b>		
Loss before tax	(155.10)	(145.38)
Adjustments for:		
Depreciation and Amortisation Expense	12.67	11.33
Finance Costs	121.45	71.79
Interest Income	-	(0.18)
Net (Profit)/Loss on Sale of Fixed Assets	(0.04)	0.03
Fixed Assets / Capital Work In Progress Written-Off	9.10	1.06
Profit on Disposal of Unquoted (Others) Current Investments	-	(0.46)
Provision for Doubtful Debts	55.74	11.95
Provision for Doubtful Loans and Advances	0.03	1.65
Provisions/Liabilities no longer required Written Back	(2.57)	(4.74)
	<u>196.38</u>	<u>92.43</u>
Operating Profit/(Loss) before working capital changes	41.28	(52.95)
Adjustments for changes in working capital:		
-(Increase)/Decrease in Trade Receivables	(132.70)	(53.05)
-(Increase)/Decrease in Loans and Advances and Other Assets	11.20	221.29
-(Increase)/Decrease in Inventories	42.31	59.72
- Increase/(Decrease) in Liabilities	(209.60)	(574.13)
	<u>(288.80)</u>	<u>(346.17)</u>
Net cash from operating activities	(A) <u>(247.52)</u>	<u>(399.12)</u>
<b>2. Cash flow from Investing Activities:</b>		
Purchase of Fixed Assets (including Intangible Assets)	(1.84)	(6.08)
Capital Work-In-Progress (including Intangible Assets under Development)	(9.10)	14.78
Proceeds from Sale of Fixed Assets	0.20	0.18
Proceeds from Sale of Current Investments	-	64.48
Lease Rental Recoverable	82.46	41.00
Purchase of Current Investments	-	(64.00)
Interest Received	-	0.14
	<u>71.72</u>	<u>50.48</u>
Net cash from/(used in) investing activities	(B) <u>71.72</u>	<u>50.48</u>





### 3. Cash Flow from Financing Activities:

Secured Loans			1.38	
Proceeds from short term borrowings	(1.38)			
Repayment of short term borrowings			(2.88)	
Repayment of long term borrowings				
Unsecured Loans				
Proceeds from short term borrowings	274.77		389.88	
Repayment of long term borrowings	(27.86)		(23.81)	
Interest Paid	(120.54)	124.99	(88.94)	295.63
<b>Net cash (used in) financing activities</b>	<b>(C)</b>	<b>124.99</b>		<b>295.63</b>
<b>Net Increase/(Decrease) In Cash and Cash Equivalents</b>	<b>(A+B+C)</b>	<b>(50.81)</b>		<b>(53.00)</b>
Opening Balance of Cash and Cash Equivalents		54.99		0.05
Add: Acquired on Purchase of Solution Business (Refer Note 43)				107.95
Closing Balance of Cash and Cash Equivalents		4.18		54.99
<b>Cash and cash equivalents comprise of</b>		4.18		54.99
Cash, Cheques and Drafts (on hand)		0.02		
Balances with Banks on Current Accounts and Dividend Accounts		4.16		54.99

#### Notes:

- 1 The above Cash Flow Statement has been prepared under the indirect method set out in Accounting Standard-3, notified u/s 211(3C) of Companies (Accounting Standards) Rules 2008, as amended and other relevant provisions of the Companies Act, 2013.
- 2 Transfer of Business from HCL Infosystems Limited, the Holding Company pursuant to scheme of arrangement (Refer Note 43) is a non cash transaction and therefore has been excluded from above cash flow statement.
- 3 Figures in brackets indicate cash outflow.
- 4 Notes to financial statements form an integral part of Cash flow statement.

This is the Cash Flow Statement referred to in our report of even date

For and on behalf of the Board of Directors

For Price Waterhouse  
Firm Registration Number-301112E  
Chartered Accountants

  
AVIJIT MUKERJI  
Partner  
Membership Number - 056155

Place : Noida  
Date : August 20, 2015

  
PREMKUMAR SESHADRI  
Director  
DIN - 03114983  
  
S G MURALI  
Group Chief Financial Officer

  
DHIRENDRA SINGH  
Chairman  
DIN - 00852815  
  
DIPENDRA CHAUDHARY  
Company Secretary

## **HCL Infotech Limited**

### **Notes to the Financial Statements**

#### **1- SIGNIFICANT ACCOUNTING POLICIES**

##### **a. BASIS OF PREPARATION**

These financial statements have been prepared in accordance with the generally accepted accounting principles in India under the historical cost convention on accrual basis. Pursuant to Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014, till the Standards of Accounting or any addendum thereto are prescribed by Central Government in consultation and recommendation of the National Financial Reporting Authority, the existing Accounting Standards notified under the Companies Act, 1956 shall continue to apply. Consequently these financial statements have been prepared to comply in all material aspects with the Accounting Standards notified under Section 211(3C) (Companies Accounting Standards Rules, 2006, as amended) and other relevant provisions of the Companies Act, 2013.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current – non-current classification of assets and liabilities, except for System Integration business. The System Integration business which comprises of long-term composite contracts and have an operating cycle exceeding one year. For classification of current assets and liabilities related to System Integration business, the Company elected to use the duration of the individual contracts as its operating cycle.

##### **b. FIXED ASSETS**

Tangible Fixed Assets including in-house capitalisation and Capital work-in-progress are stated at cost except those which are revalued from time to time on the basis of current replacement cost/value to the Company, net of accumulated depreciation.

Assets taken on finance lease are stated at fair value of the assets or present value of minimum lease payments whichever is lower.

Subsequent expenditures related to an item of fixed asset are added to its book value only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance.

Losses arising from the retirement of, and gains or losses arising from disposal of fixed assets which are carried at cost are recognised in the Statement of Profit and Loss.

Intangible Assets are stated at acquisition cost, net of accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised on a straight line basis over their estimated useful lives.

##### **c. DEPRECIATION AND AMORTISATION**

From the current year, Schedule XIV of the Companies Act, 1956, has been replaced by Schedule II of the Companies Act, 2013. Due to such change, impact of which is not material, depreciation is being provided as given below.

- (a) Depreciation on fixed assets of the Company is provided on a pro-rata basis on straight-line method using the useful lives of assets prescribed in Schedule II of the Companies Act, 2013.
- (b) Intangible Assets are amortised at straight line basis as follows:

**Intangible Assets (other than Goodwill):**

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Intellectual Property Rights	7	years
Software	1-5	years
Technical Know how (Product/Technology development cost)	3	years

The amortisation period and the amortisation method are reviewed at least at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly. Gains or losses arising from the retirement or disposal of an intangible asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognised as income or expense in the Statement of Profit and Loss.

- (c) Leasehold Land is amortised over a period of lease. Leasehold improvements are amortised on straight line basis over the period of three years or lease period whichever is lower.
- (d) Individual assets costing ₹ 5,000 or less are depreciated/amortised fully in the year of acquisition.

#### **d. INVESTMENTS**

Long-term investments are stated at cost of acquisition inclusive of expenditure incidental to acquisition. Any decline in the value of the said investment, other than a temporary decline, is recognised and charged to Statement of Profit and Loss.

Current investments are carried at lower of cost or fair value where fair value for mutual funds is based on net asset value and for bonds is based on market quote.

#### **e. INVENTORIES**

Finished Goods and Stock-In-Trade are valued at lower of cost and net realisable value. Cost is determined on the basis of weighted average.

Stores and Spares are valued at lower of cost and net realisable value/future economic benefits expected to arise when consumed during rendering of services. Adequate adjustments are made to the carrying value for obsolescence. Cost is determined on the basis of weighted average.

Goods In-Transit are valued inclusive of custom duty, where applicable.

#### **f. FOREIGN CURRENCY TRANSACTIONS**

- a) Foreign currency transactions are recorded at the exchange rates prevailing at the date of transaction. Exchange differences arising on settlement of transactions, are recognised as income or expense in the year in which they arise.
- b) At the balance sheet date, all monetary items denominated in foreign currency, are reported at the exchange rates prevailing at the balance sheet date and the resultant gain or loss is recognised in the Statement of Profit and Loss. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.
- c) With respect to exchange differences arising on translation of long term foreign currency monetary items having a term of 12 months or more, from July 1, 2011 onwards, the Company has adopted the following policy:
  - (i) Exchange differences relating to long term foreign currency monetary items, arising during the year, in so far as they relate to the acquisition of a depreciable capital asset are added to or deducted from the cost of the asset and depreciated over the balance life of the asset.





- (ii) In other cases, such differences are accumulated in the "Foreign Currency Monetary Translation Difference Account" and amortised over the balance period of the long term assets/liabilities but not beyond March 31, 2020.
- d) In case of forward foreign exchange contracts where an underlying asset or liability exists at the balance sheet date, the premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contract are recognized in the statement of Profit and Loss in the reporting period in which the exchange rate change.
- e) Forward exchange contracts outstanding as at the year end on account of firm commitment / highly probable forecast transactions are marked to market and the losses, if any, are recognised in the Statement of Profit and Loss and gains are ignored in accordance with the Announcement of Institute of Chartered Accountants of India on 'Accounting for Derivatives' issued in March 2008.
- f) Any profit or loss arising on cancellation or renewal of a forward exchange contract are recognised as income or as expense for the period.

**g. EMPLOYEE BENEFITS**

**Defined Benefit:**

**Gratuity**

The Company provides for gratuity, a defined benefit plan (the "Gratuity Plan") covering eligible employees in accordance with the Payment of Gratuity Act, 1972. 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 salary and the tenure of employment. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. Actuarial losses/gains are recognised in the Statement of Profit and Loss in the year in which they arise.

**Provident Fund**

The Company is a participant in a provident fund plan which is administered through a multi-employer trust. The Provident Fund liability is actuarially determined (using the Projected Unit Credit method) at the end of the year and any shortfall in the fund size maintained by the Trust is additionally provided for. The Company's contribution to provident fund for the year is included in the Statement of Profit and Loss.

**Other Benefits:**

**Compensated Absences**

Accumulated compensated absences, which are expected to be availed or encashed within 12 months from the end of the year end are treated as short term employee benefits. The obligation towards the same is measured at the expected cost of accumulating compensated absences as the additional amount expected to be paid as a result of the unused entitlement as at the year end.

Accumulated compensated absences, which are expected to be availed or encashed beyond 12 months from the end of the year end are treated as other long term employee benefits. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. Actuarial losses/ gains are recognised in the Statement of Profit and Loss in the year in which they arise.

**Defined Contribution:**

Contributions to the employees' state insurance fund, administered by the prescribed government authorities, are made in accordance with the Employees' State Insurance Act, 1948 and are recognised as an expense on an accrual basis.



Company's contribution towards Superannuation Fund is accounted for on accrual basis. The Company makes defined contributions to a Superannuation Trust established for the purpose. The Company has no further obligation beyond the monthly contributions.

#### **h. REVENUE RECOGNITION**

- (a) Sales of product, after adjusting trade discount, is recognised on transfer of all significant risks and rewards of ownership to the customer and when no significant uncertainty exists regarding realisation of the consideration.
- (b) Composite contracts, outcome of which can be reliably estimated, where no significant uncertainty exists regarding realisation of the consideration, revenue is recognised in accordance with the percentage completion method, under which revenue is recognised on the basis of cost incurred as a proportion of total cost expected to be incurred. The foreseeable losses on the completion of contract, if any, are provided for immediately.
- (c) Service income includes facility management services and income from maintenance of products. Revenues relating to time and materials contracts are recognized as the related services are rendered. Revenue in case of fixed priced contracts is recognised on proportionate completion basis. Revenue from a period based service contracts is recognised on a pro rata basis over the period in which such services are rendered
- (d) Contract-in-progress: For System Integration business, difference between costs incurred plus recognised profit/less recognised losses and the amount due for payment is disclosed as contract-in-progress.

#### **i. LEASES**

- a) Assets taken under leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Such assets are capitalised at the inception of the lease at the lower of fair value or the present value of minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on outstanding liability for each period.
- b) Initial direct costs relating to the finance lease transactions are included as part of the amount capitalised as an asset under the lease.
- c) Assets taken on leases where significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged to the Statement of Profit and Loss on straight-line basis over the lease term.
- d) Profit on sale and leaseback transactions is recognised over the period of the lease.
- e) Assets given under finance lease are recognised as receivables at an amount equal to the net investment in the lease. Inventories given on finance lease are recognised as deemed sale at fair value. Lease income is recognised over the period of the lease so as to yield a constant rate of return on the net investment in the lease.
- f) Assets leased out under operating leases are capitalised. Rental income is recognised on accrual basis over the lease term.
- g) In sale and leaseback transactions and further sub-lease resulting in financial leases, the deemed sale is recognised at fair value at an amount equal to the net investment in the lease where substantially all risks and rewards of ownership have been transferred to the sub-lessee. A liability is created at the inception of the lease at the lower of fair value or the present value of minimum lease payments for sale and leaseback transaction. Each lease rental payable/receivable is allocated between the liability/receivable and the interest cost/income, so as to obtain a constant periodic rate of interest on outstanding liability/receivable for each period.



#### **J. CURRENT AND DEFERRED TAX**

Tax expense for the period, comprising current tax and deferred tax, are included in the determination of the net profit or loss for the period. Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the taxation laws prevailing in the respective jurisdictions.

Deferred tax is recognised for all the timing differences, subject to the consideration of prudence in respect of deferred tax assets. Deferred tax assets are recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits. At each Balance Sheet date, the Company reassesses unrecognised deferred tax assets, if any.

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis. Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off assets against liabilities representing current tax and where the deferred tax assets and the deferred tax liabilities relate to taxes on income levied by the same governing taxation laws.

#### **k. PROVISIONS AND CONTINGENT LIABILITIES**

The Company creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that probably will not require an outflow of resources or where a reliable estimate of the amount of the obligation cannot be made.

#### **l. USE OF ESTIMATES**

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Examples of such estimates include estimate of cost expected to be incurred to complete performance under composite arrangements, income taxes, provision for warranty, employment benefit plans, provision for doubtful debts and estimated useful life of the fixed assets. The actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

#### **m. BORROWING COSTS**

Borrowing costs to the extent related/attributionable to the acquisition/construction of assets that necessarily take substantial period of time to get ready for their intended use are capitalised along with the respective fixed asset up to the date such asset is ready for use. Other borrowing costs are charged to the Statement of Profit and Loss.

#### **n. IMPAIRMENT OF ASSETS**

At each balance sheet date, the Company assesses whether there is any indication that an asset (tangible and intangible) may be impaired. If any such indication exists, the Company estimates the recoverable amount and if the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in the Statement of Profit and Loss to the extent the carrying amount exceeds the recoverable amount.



**o. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash in hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less.

**p. RESEARCH AND DEVELOPMENT**

Research costs are expensed as incurred. Development expenditure incurred on an individual project is recognised as an intangible asset when technical and commercial feasibility of the project is demonstrated, future economic benefits are probable, the Company has ability and intention to complete the asset and use or sell it and cost can be measured reliably.





**HCL Infotech Limited**  
**Notes to the Financial Statements**

	As at 30.06.2015 ₹/Crores	As at 30.06.2014 ₹/Crores
<b>2- Share capital</b>		
<b>Authorised</b>		
50,000 Equity Shares (2014 - 50,000) of ₹ 10/- each	0.05	0.05
<b>TOTAL</b>	<u>0.05</u>	<u>0.05</u>
<b>Issued, Subscribed and Paid up</b>		
50,000 Equity Shares (2014 - 50,000) of ₹ 10/- each (Fully Paid up)	0.05	0.05
<b>TOTAL</b>	<u>0.05</u>	<u>0.05</u>

Notes:

- (i) Rights attached to Equity Shares:  
The Company has only one class of equity share having a face value of ₹ 10/- each. Each holder of equity shares is entitled to one vote per share held. The Company declares and pays dividend in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the Shareholders in ensuing General Meeting, except in case of Interim dividend.

	Number of Shares	% of shares	Number of Shares	% of shares
(ii) Shareholders holding more than 5% of the aggregate shares in the Company				
(a) HCL Infosystems Limited, the Holding Company (Refer Note 43)	50,000	100.00	50,000	100.00



**HCL Infotech Limited****Notes to the Financial Statements****3- Movement in Reserves and surplus**

Particulars	Capital Reserve	Surplus in the Statement of Profit and Loss	(₹/Crores) Total Reserves and Surplus
<b>As at July 1, 2013</b>	-	(0.01)	(0.01)
- Loss for the year	-	(145.38)	(145.38)
- Transfer of loss for the period January 13 to June 13 from HCL Infosystems limited (Refer Note 43)	-	(62.39)	(62.39)
- Adjustment on Account of Scheme (Refer Note 43)	-	5.09	5.09
- Capital reserve arising on account of scheme of arrangement (Refer Note 43)	410.64		410.64
<b>As at June 30, 2014</b>	410.64	(202.69)	207.95
<b>As at July 1, 2014</b>	410.64	(202.69)	207.95
- Loss for the year	-	(155.10)	(155.10)
<b>As at June 30, 2015</b>	410.64	(357.79)	52.85




**HCL Infotech Limited**  
**Notes to the Financial Statements**

	As at 30.06.2016 ₹/Crores	As at 30.06.2014 ₹/Crores
<b>4- Long-term borrowings</b>		
<b>Unsecured:</b>		
Term Loans	59.01	82.87
- From Others	1.26	5.28
<b>Finance Lease Obligation (Refer Note 36)</b>	<b>60.27</b>	<b>88.13</b>
<b>TOTAL</b>	<b>60.27</b>	<b>88.13</b>

**Notes.**

1. Unsecured Term loans from Others amounting to ₹ 9.22 Crores (2014 - ₹ 12.12 Crores) and ₹ 26.99 Crores (2014 - ₹ 3.42 Crores), out of which ₹ 2.91 Crores (2014 - ₹ 5.36 Crores) and ₹ 21.76 Crores (2014 - NIL) is shown under current maturity of long term debt, are repayable in 10 to 11 equal half yearly ( Interest Free ) instalments from the date of the loans and in 4 to 20 equal quarterly instalments (carries interest @ 8.53% to 11.61%) from the date of the loan disbursement.
2. Unsecured Loan under receivable buyout facility amounting to ₹ 53.26 Crores (2014 - ₹ 70.88 Crores), out of which ₹ 21.98 Crores (2014 - ₹ 17.58 Crores) is shown under current maturity of long term debt, are repayable in 14 to 20 equal quarterly instalments from the date of the disbursement.
3. Unsecured Term loans from Others amounting to ₹ 41.76 Crores (2014 - ₹ 37.95 Crores), out of which ₹ 25.48 Crores (2014 - ₹ 18.56 Crores) is shown under current maturity of long term debt, is repayable in 11 to 20 equal quarterly instalments from the date of the disbursement which carries interest @ 12% to 12.50% p.a.
4. Long term borrowings, Short term borrowings and Current maturities of long term debts include the loan amounting to ₹ 41.45 Crores (2014 - ₹ 85.71 Crores), ₹ NIL (2014 - ₹ 1.38 Crores) and ₹ 46.74 Crores (2014 - ₹ 65.20 Crores) respectively that the HCL Infosystems Limited, the holding company has transferred to the Company pursuant to the scheme of arrangement (Refer Note 43) HCL Infosystems Limited, the holding company, is in the process of transferring the loan agreements to the company.

**5- Other long-term liabilities**

Trade Payables (Refer Note 28)	0.03	0.97
Deferred Revenue	4.67	0.51
Other Deposits	4.60	1.48
<b>TOTAL</b>	<b>4.60</b>	<b>1.48</b>

**6- Long-term provisions**

Provision for Gratuity (Refer Note 38)	2.20	2.60
<b>TOTAL</b>	<b>2.20</b>	<b>2.60</b>





**HCL Infotech Limited**  
**Notes to the Financial Statements**

	As at 30.06.2016 ₹/Crores	As at 30.06.2014 ₹/Crores
<b>7- Short-term borrowings</b>		
<b>Secured:</b>		
Loans from Banks	-	1.38
- Buyers Credit	-	1.38
<b>Unsecured:</b>		
Loans from HCL Infosystems Limited, the Holding Company	946.06	881.84
	946.06	881.84
<b>TOTAL</b>	<b>946.06</b>	<b>883.22</b>
<b>Note:</b>		
1. Secured Loan from Banks amounting to ₹ Nil (2014 - ₹ 1.38 Crores) are secured by way of hypothecation of stock-in-trade, book debts as first charge and by way of second charge on all the immovable and movable assets of the Company, HCL Infosystem Limited (the Holding Company) and its demerged subsidiaries, pursuant to court approved scheme of arrangement. The charge ranks pari-passu amongst Bankers.		
2. Unsecured Loans from HCL Infosystems Limited, the Holding Company, amounting to ₹ 946.06 Crores (2014 - ₹ 881.84 Crores) is repayable within 1 year from the date of loan and carries an interest @ 11.49 % per annum.		
<b>8- Trade payables</b>		
Trade Payables (Refer Note 28)	598.88	679.87
[Including Acceptance ₹ 12.70 Crores (2014 - ₹ 81.91 Crores) and provision for foreseeable loss ₹ 23.05 crores (2014 - ₹ 35.53 Crores)]	598.88	679.87
<b>TOTAL</b>	<b>598.88</b>	<b>679.87</b>
<b>9- Other current liabilities</b>		
Current Maturities of Long-Term Debts (Refer Note 4)	72.13	41.50
Current Maturities of Finance Lease Obligations (Refer Note 4 and 35)	4.08	24.14
Interest Accrued but not due on Borrowings	1.32	0.41
Deferred Revenue	10.09	29.22
Advances Received from Customers	39.35	153.53
Statutory Dues Payable	18.78	19.78
Employee Benefits Payable	10.07	9.15
Capital Creditors	0.01	5.84
<b>TOTAL</b>	<b>165.79</b>	<b>283.57</b>
<b>10- Short-term provisions</b>		
Provision for Gratuity and Leave Encashment (Refer Note 38)#	2.05	2.54
<b>TOTAL</b>	<b>2.05</b>	<b>2.54</b>
# Includes ₹1.11 Crores (2014- ₹ 1.34 Crores) for provision for leave encashment		



2000

Total (a+b)

Notes:

- Notes:
1. Software comprise cost of acquiring licences and SAP implementation charges.
  2. Technical Knowhow comprise of development cost of new technology/products



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**HCL Infotech Limited**  
**Notes to the Financial Statements**

**12- Non-current Investments (Refer Note 43)**

**Unquoted (Trade) : Long Term (At Cost)**  
**Investments in Equity Instruments of Subsidiary**

	Face Value	As at 30.06.2015 Units	Amount ₹/Crores	Face Value	As at 30.06.2014 Units	Amount ₹/Crores
HCL Investments Pte. Limited	SGD 1 and USD 1	1 in SGD* and 1,775,000 in USD*	8.41	SGD 1 and USD 1	1 in SGD* and 1,775,000 in USD*	8.41
<b>Total Non-Current Investments</b>			<b>8.41</b>			<b>8.41</b>
<b>Aggregate amount of Unquoted Investments</b>			<b>8.41</b>			<b>8.41</b>





**HCL Infotek Limited**  
**Notes to the Financial Statements**

	As at 30.06.2016 ₹/Crores	As at 30.06.2014 ₹/Crores
<b>13- Long-term loans and advances</b>		
<b>Unsecured, considered good:</b>		
Deposits	16.11	16.37
Prepaid Expenses	1.52	1.51
Advance Income Tax	38.45	12.70
[Net of Provision for Income Tax of ₹ Nil (2014 - ₹ Nil)]	<u>56.08</u>	<u>30.58</u>
<b>TOTAL</b>		
<b>14- Other non-current assets</b>		
Lease Rental Recoverable (Refer Note 35)	96.94	153.89
<b>TOTAL</b>	<u>96.94</u>	<u>153.89</u>
<b>15- Inventories</b>		
Stock-in-Trade	36.48	78.78
[including In-Transit ₹ 1.61 Crores (2014 - ₹ 19.15 Crores)]	-	0.01
Stores and Spares	<u>36.48</u>	<u>78.79</u>
<b>TOTAL</b>		
<b>16- Trade receivables</b>		
<b>Unsecured:</b>		
Debts outstanding for a period exceeding six months from the date they are due for payment	83.01	287.82
- Considered Good	<u>82.42</u>	<u>30.26</u>
- Considered Doubtful	166.43	318.08
Other Debts	420.91	199.13
- Considered Good	<u>586.34</u>	<u>457.21</u>
- Considered Doubtful	82.42	30.26
Less: Provision for Doubtful Debts	<u>603.92</u>	426.95
<b>TOTAL</b>	<u>603.92</u>	<u>426.95</u>





**HCL InfoTech Limited**  
**Notes to the Financial Statements**

	As at 30.06.2016 ₹/Crores	As at 30.06.2014 ₹/Crores
<b>17- Cash and Cash Equivalents</b>		
Balances with Banks		
- On Current Account	4.18	54.99
Cheques on Hand	0.02	-
<b>TOTAL</b>	<b>4.18</b>	<b>54.99</b>
<b>18- Short-term loans and advances</b>		
<b>Unsecured</b>		
<b>Considered Good</b>		
- Balances with Customs, Port Trust, Excise and Sales Tax Authorities	7.65	11.36
- Advances to Creditors	13.34	33.22
Other Deposits	7.18	9.00
Prepaid Expenses	34.70	41.65
Others (Includes Employee advances, Insurance claim recoverable and Expenses recoverable)	2.90	3.89
<b>Considered Doubtful</b>		
Deposits and Other Advances	3.67	4.14
Less: Provision for Doubtful Loans and Advances	3.67	4.14
<b>TOTAL</b>	<b>66.77</b>	<b>99.12</b>
<b>19- Other current assets</b>		
Lease Rental Recoverable (Refer Note 36)	70.26	95.78
Unbilled revenue	20.49	35.69
Contracts-in-progress (Refer Note 39)	931.96	918.42
Unamortised Premium on Forward Contracts	-	0.72
<b>TOTAL</b>	<b>1,022.70</b>	<b>1,050.59</b>





**HCL Infotech Limited****Notes to the Financial Statements**

	Year ended 30.06.2015 ₹/Crores	Year ended 30.06.2014 ₹/Crores
<b>20- Revenue from operations</b>		
Revenue from Composite Contracts	708.98	802.33
Sale of Products	51.40	481.47
Sale of Services	103.69	66.13
Other Operating Revenue		0.02
- Scrap Sale	25.19	-
- Miscellaneous Income		
<b>TOTAL</b>	<b>889.24</b>	<b>1,149.95</b>
<b>21- Other Income</b>		
Interest Income	22.81	33.07
- On Lease Rental	-	0.18
- On Fixed Deposits (Gross)	-	0.48
Profit on Disposal of Unquoted (Others) Current Investments	0.04	-
Net Profit/(Loss) on Sale of Fixed Assets	2.57	4.74
Provisions/Liabilities no longer required written back	2.83	1.04
Miscellaneous Income		
<b>TOTAL</b>	<b>28.25</b>	<b>39.49</b>
<b>22- Changes in inventories of stock-in-trade</b>		
Closing Stock	36.48	78.78
- Stock-In-Trade		
Transfer from HCL Infosystem Limited, the Holding Company (Refer Note 43)	-	83.93
- Stock-In-Trade		
Opening Stock	78.78	-
- Stock-In-Trade		
<b>(Increase)/Decrease in inventories of stock-in-trade</b>	<b>42.30</b>	<b>5.15</b>
<b>23- Other direct expense</b>		
Purchase of Services	256.75	164.05
Power and Fuel	0.01	0.09
Labour and Processing Charges	-	0.28
Royalty	-	0.20
<b>TOTAL</b>	<b>256.76</b>	<b>164.60</b>
<b>24- Employee benefits expense (Refer Note 38)</b>		
Salaries, Wages, Bonus and Gratuity	91.93	123.61
Contribution to Provident and Other Funds	3.14	3.97
Staff Welfare Expenses	0.58	0.84
<b>TOTAL</b>	<b>95.63</b>	<b>128.42</b>
<b>25- Finance costs</b>		
Interest on Long-term and Short-term Borrowings	109.89	47.09
Other Borrowing Costs	11.56	24.70
<b>TOTAL</b>	<b>121.45</b>	<b>71.79</b>




**HCL Infotech Limited****Notes to the Financial Statements**

	Year ended 30.06.2015 ₹/Crores	Year ended 30.06.2014 ₹/Crores
<b>26 - Other expenses</b>		
Rent (Refer Note 36(d)(ii))	5.52	5.77
Rates and Taxes	3.04	10.49
Printing and Stationery	0.28	0.49
Communication	1.62	2.06
Travelling and Conveyance	5.63	7.84
Packing, Freight and Forwarding	2.86	4.07
Legal, Professional and Consultancy Charges (Refer Note 34)	3.41	7.40
Retainership Expenses	11.30	14.00
Training and Conference	0.18	0.75
Office Electricity and Water	1.71	1.91
Insurance	2.66	3.37
Advertisement, Publicity and Entertainment	0.65	0.86
Hire Charges	2.37	1.35
Bank Charges	3.43	5.65
Provision for Doubtful Debts	55.74	11.95
Provision for Doubtful Loans and Advances and Other Current Assets	0.03	1.65
Impairment of Intangibles	-	1.88
Loss on Sale of Fixed Assets	-	0.03
Fixed Assets / Capital Work In Progress Written-Off	9.10	1.08
Repairs		
- Plant and Machinery	0.18	0.10
- Buildings	0.18	0.18
- Others	1.36	4.00
Common Cost Allocated from HCL Infosystems Limited, the Holding Company	1.89	27.70
Miscellaneous	22.88	4.73
	<b>135.80</b>	<b>119.18</b>



**27.a) Contingent Liabilities :**

Claims against the Company not acknowledged as debts:

	2015 ₹/Crores	2014 ₹/Crores
Sales Tax*	4.90	5.61

\* Includes sum of ₹ 2.46 Crores (2014 - ₹ 2.68 Crores) deposited by the Company against the above.

(i) The amounts shown above represents the best possible estimates arrived at on the basis of available information. The uncertainties and possible reimbursements are dependent on the out come of the different legal processes which have been initiated by the Company or the claimants as the case may be and therefore cannot be predicted accurately. It is not practicable for the Company to estimate the timing of cash outflows, if any, in respect of the above pending resolution of the respective proceedings.

**27 b) Other Litigations :**

The Company has certain civil litigation amounting to ₹ 2.00 crores (2014 - ₹ 2.00 crores) against which provision has been made. The amount accrued during the last year and there is no movement in the current year.

**28. Disclosure of Micro, Small and Medium Enterprises based on information available with the Company:**

	2015 ₹/Crores	2014 ₹/Crores
a. (i) Principal amount remaining unpaid to any supplier as at the end of the year.	8.21	0.47
(ii) Interest due on the above amount.	1.71	0.02
b. (i) Amount of interest paid in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 (Act).	-	-
(ii) Amount of principal payments made to the suppliers beyond the appointed day during the year.	1.36	1.62
c. Amount of interest due and payable for the period of delay in making payment but without adding the interest specified under the Act.	-	-
d. Amount of interest accrued and remaining unpaid at the end of the year.	1.75	0.09
e. Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises.	-	-



**29. Expenditure on Research and Development:**

	2015 ₹/Crores	2014 ₹/Crores
Revenue (Depreciation, Personnel, Travel and Other Administration expenses)	3.11	-
Total	3.11	-

**30. Information in respect of purchase of traded goods:**

	Value ₹/Crores
Computers/Micro processor based systems	348.82 ( 302.92 )
Photocopiers/Electronic Equipments	0.09 ( 9.33 )
Printers/Scanners/UPS/CVT	39.00 ( 41.66 )
Others*	18.95 ( 445.65 )
Total	406.86 (799.56)

\* Does not include any class of goods which in value individually accounts for 10% or more of the total value of purchase of traded goods.

Note: Previous period's figures are given in brackets.



**HCL Infotech Limited**  
**Notes to the Financial Statements**

**31. Value of Imports calculated on CIF basis:**

	2015 ₹/Crores	2014 ₹/Crores
a) Stores and spares	-	0.05
b) Traded items	22.85	55.68
Total	22.85	55.73

**32. Expenditure in Foreign Currency:  
(On accrual basis)**

	2015 ₹/Crores	2014 ₹/Crores
a) Travel	0.24	0.10
b) Royalty*	-	0.20
c) Others (includes consultancy, certification charges, license)	0.02	-
Total	0.26	0.30

\* Gross of tax deducted at source.

**33. Earnings in Foreign Currency:**

	2015 ₹/Crores	2014 ₹/Crores
a) FOB value of exports (including deemed exports)	-	0.03
b) Others (including reimbursement of expenses)	0.68	5.20
Total	0.68	5.23

**34. Remuneration to Auditor\*:**

	2015 ₹/Crores	2014 ₹/Crores
a) Statutory Audit	0.24	0.16
b) Other Audit Services/Certifications	0.05	0.11
Total	0.29	0.27

\* Excluding service tax.

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35. Leases:

a) Finance Leases:

As Lessor:

(i) The Company has given on finance lease certain assets/inventories which comprise of computers, radio terminals and office equipments, etc. These leases have a primary period, which is fixed and non-cancelable. There are no exceptional/restrictive covenants in the lease agreements.

(ii) The gross investment in the assets given on finance leases as at June 30, 2015 and its present value as at that date are as follows:

	Total minimum lease receivable ₹/Crores	Interest included in minimum lease receivable ₹/Crores	Present value of minimum lease receivable ₹/Crores
Not later than one year	82.72 (97.81)	14.96 (22.12)	67.76 (75.69)
Later than one year and not later than five years	104.93 (174.15)	8.16 (22.55)	96.77 (151.60)
Total	187.65 (271.96)	23.12 (44.67)	164.53 (227.29)

Note: Previous period's figures are given in brackets.

b) Sale and Leaseback and further sub-lease on finance lease basis

(i) The Company has entered into transaction of sale and leaseback on finance lease basis and further sub-lease on finance lease basis for certain assets/inventories which comprise of computer systems and other related products. These leases have a primary period, which is fixed and non-cancelable. There are no exceptional/restrictive covenants in these lease agreements.

(ii) Details of minimum lease payments and minimum sub-lease receivables as at June 30, 2015 and its present value as at that date are as follows:

	Payable on sale and leaseback			Receivable on sub-lease		
	Total minimum lease payable ₹/Crores	Interest included in minimum lease payable ₹/Crores	Present value of minimum lease payable ₹/Crores	Total minimum lease receivable ₹/Crores	Interest included in minimum lease receivable ₹/Crores	Present value of minimum lease receivable ₹/Crores
Not later than one year	2.04 (21.84)	0.34 (2.07)	1.70 (19.77)	2.59 (21.67)	0.11 (1.60)	2.49 (20.07)
Later than one year and not later than five years	1.44 (2.94)	0.18 (0.03)	1.26 (2.91)	0.18 (2.36)	0.01 (0.09)	0.17 (2.29)
Total	3.48 (24.78)	0.52 (2.10)	2.96 (22.68)	2.77 (24.05)	0.12 (1.69)	2.66 (22.36)

Note: Previous period's figures are given in brackets.

c) Sale and Leaseback

As Lessee:

	Total minimum lease payable ₹/Crores	Interest included in minimum lease payable ₹/Crores	Present value of minimum lease payable ₹/Crores
Not later than one year	2.46 (4.90)	0.10 (0.53)	2.36 (4.37)
Later than one year and not later than five years	- (2.45)	- (0.10)	- (2.35)
Total	2.46 (7.35)	0.10 (0.63)	2.36 (6.72)

Note: Previous period's figures are given in brackets.

d) Cancelable Operating Leases

As Lessee:

(i) The Company has taken various residential/commercial premises under cancelable operating leases. These leases are for a period of eleven months to three years and are normally renewable on expiry.

(ii) The rental expense in respect of operating leases is ₹ 5.52 Crores (2014 - ₹ 5.77 Crores) which is disclosed as Rent expense under 'Other expenses'.

As Lessor:

The gross block, accumulated depreciation and depreciation expense in respect of plant & machinery given on operating lease are as below:

	2015 ₹/Crores	2014 ₹/Crores
Gross Block	18.05	18.05
Accumulated Depreciation	7.05	4.22
Net Block	11.00	13.83
Depreciation Expense	2.83	2.82



**36. Earnings per share (EPS)**

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The earnings considered in ascertaining the company's EPS represent profit/(loss) for the year after tax. Diluted EPS is computed and disclosed using the weighted average number of equity and dilutive equivalent shares outstanding during the year except when results would be anti-dilutive.

Calculation of EPS:

Particulars	2015	2014
Profit/(Loss) after tax (₹/Crores)	(155.10)	(145.38)
<b>Weighted average number of shares considered as outstanding in computation of Basic/Diluted EPS</b>	<b>50,000</b>	<b>50,000</b>
Basic EPS (of ₹ 10/- each)	(₹ 31020)	(₹ 29076)
Diluted EPS (of ₹ 10/- each)	(₹ 31020)	(₹ 29076)

There are no dilutive equity shares as at year end.

**37. Segment Reporting**

The Company's business falls within a single primary business and geographical segment, i.e. Hardware Products & Solution business comprise of (a) sale of IT products & solutions to enterprise and government customers (b) sale of HCL branded products to enterprise and government customers. Accordingly, pursuant to Accounting Standard 17 on 'Segment Reporting', notified under section 211 (3C) of the Companies Act, 1956 read with Rule 7 of the Companies (Accounts) Rules, 2014 & Section 133 of the Companies Act, 2013 as at June 30, 2015, segment information is not required to be disclosed.



38. The Company has calculated the various benefits provided to employees as under:

- (a) **Defined Contribution**  
(i) Superannuation Fund

During the year, the Company has recognised the following amounts in the Statement of Profit and Loss:

Employers Contribution to Superannuation Fund\*

2015	2014
₹/Crores	₹/Crores
0.32	0.59

- (b) **State Plans**  
(i) Employee State Insurance  
(ii) Employee's Pension Scheme 1995

During the year, the Company has recognised the following amounts in the Statement of Profit and Loss:

Employers contribution to Employee State Insurance\*

Employers contribution to Employee's Pension Scheme 1995\*

\* Included in Contribution to Provident and Other Funds under Employee benefits expense (Refer Note 24).

2015	2014
₹/Crores	₹/Crores
0.36	0.39
1.35	1.24

- (c) **Defined Benefit**  
(i) Gratuity  
(ii) Provident Fund @

In accordance with Accounting Standard 15 (revised 2005), an actuarial valuation was carried out in the respect of the aforesaid defined benefit plan based on the following assumptions:

Discount rate (per annum)  
Rate of increase in compensation levels  
Expected average remaining working lives of employees (years)

Gratuity	
2015	2014
8.00%	8.50%
6.00%	6.00%
23.39	22.89

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

₹/Crores	
2015	2014
Gratuity	Gratuity

**Reconciliation of opening and closing balances of the present value of the defined benefit obligation:**

Present value of obligation at the beginning of the year  
Amount Transferred from HCL Infosystems Limited, the Holding Company (Refer Note 43)  
Current service cost  
Past service cost  
Interest cost  
Actuarial (gain)/loss  
Benefits (paid)  
Present value of obligation at the end of the year

3.80	-
0.24	6.05
-	0.48
0.31	-
(0.55)	(1.87)
(0.66)	(0.86)
3.14	3.80

**Cost recognised for the year :**

Current service cost  
Past service cost  
Interest cost  
Actuarial (gain)/loss  
Net cost recognised for the year\*

2015	2014
Gratuity	Gratuity
0.24	0.48
-	-
0.31	-
(0.55)	(1.87)
0.00	(1.39)

\* Included in Salaries, Wages, Bonus and Gratuity for Gratuity under Employee benefits expense (Refer Note 24).

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Reconciliation of the present value of the defined benefit obligation and the fair value of the plan assets:

₹/Crores

Present value of the obligation as at the end of the year  
Fair value of plan assets at the end of the year  
Assets/(Liabilities) recognised in the Balance Sheet

	Gratuity	
	2014	2013
2015	3.80	-
3.14	3.80	-
-	-	-
(3.14)	(3.80)	-

@ In respect of certain eligible employees, the Company is a participant in a provident fund plan which is administered through a multi employer trust. The participants have an obligation to make good any deficiency in the interest to be paid by the Trust to its members and the income earned by it. Accordingly the plan is as a defined benefit plan. The trust has obtained an actuarial valuation of the Provident fund liability as at the Balance Sheet date and as per valuation report, there is no shortfall as on June 30, 2015. The valuation report contained details for the disclosure requirement of the Accounting Standard 15 "Employee Benefits" for the trust as a whole, however breakup into respective entities is not available and accordingly the disclosures for provident fund liability as required by Accounting Standard 15 "Employee Benefits" has not been made in these financial statements. The Company's contribution to provident fund for the year is ₹ 1.11 Crores (2014 ₹ 1.75 Crores) which has been included under Contribution to Provident and Other Funds (Refer Note 24).

39. Contract-in-progress	As at June 30, 2015 (₹/Crores)	As at June 30, 2014 (₹/Crores)
Revenue from Composite Contracts	708.96	602.33
Aggregate amount of contract costs incurred and recognised profits (less recognised losses) for all contracts in progress upto the period ended	4604.94	4,007.14
The amount of advances received	34.18	143.01
Gross amount due from customers for contracts-in-progress	1193.08	1,067.05
Gross amount due to customers for contracts-in-progress	261.12	148.63

40. **Employee Stock Option Plan (ESOP):**  
The holding company has established Employee Stock Option Scheme 2000 and Employee Stock Based Compensation Plan 2005 for the employees of HCL Infosystems Limited and its subsidiaries.  
HCL Infosystems Limited, Holding Company follows the Intrinsic Value Method of accounting and there is no charge for ESOPs based on this method during the current year which relates to the Company.  
The impact on the Loss of the Company for the current year ended June 30, 2015 and the basic and diluted earnings per share had the Holding Company followed the fair value method of accounting for stock options is set out below:

Proforma disclosures	₹/Crores	
Particulars	2015	2014
Loss after tax as per Statement of Profit and Loss (a)	(155.10)	(145.38)
Loss after tax recomputed for recognition of employee stock compensation expense under fair value method (b)	(165.10)	(145.38)
Loss Per Share based on earnings as per (a) above:		
- Basic and Diluted (Refer Note 36)	(₹ 31020)	(₹ 29076)
Loss Per Share had fair value method been employed for accounting of employee stock options:		
- Basic and Diluted	(₹ 31020)	(₹ 29076)



**41. Disclosure of related parties and related party transactions:**

**a) Company having substantial interest:**

HCL Corporation Private Limited

**b) Holding Company**

HCL Infosystems Limited

**c) List of parties where control exists/existed and with whom transactions have taken place during the year and/or where balances exist:**

**Subsidiaries:**

HCL Investments Pte. Limited, Singapore

**Fellow Subsidiaries:**

HCL Learning Limited  
HCL Services Limited (formerly known as HCL Care Limited)  
Digilife Distribution and Marketing Services Limited  
HCL Insys Pte. Limited, Singapore  
HCL Infosystems MEA FZCO, Dubai  
HCL Infosystems South Africa Pty. Limited

**d) Enterprises over which, individual having indirect significant influence over the company, has significant influence and with whom transactions have taken place during the year and/or where balances exist:**

HCL Technologies Limited  
HCL Comnet Limited  
HCL Comnet Systems and Services Limited  
HCL BPO Services (NI) Limited  
Shiv Nadar School  
Shiv Nadar Foundation  
Manipal Universal Learning Private Limited.  
SSN College of Engineering  
SSN Trust  
Statestreet Hcl Services India Ltd

Note: Parties with whom transactions are more than 10% of the total value have been disclosed separately.



HCL Infotech Limited  
Notes to the Financial Statements

e) Summary of Related Party disclosures

Note: All transactions with related parties have been entered into in the normal course of business.

(₹/Crores)

A. Transactions	Holding Company		Subsidiaries		Fellow Subsidiaries		Others		Total	
	Jun-15	Jun-14	Jun-15	Jun-14	Jun-15	Jun-14	Jun-15	Jun-14	Jun-15	Jun-14
<b>Sales and Related Income</b>	5.23	24.60	-	-	0.64	0.54	1.44	25.55	7.31	50.69
- HCL Infosystems Limited	5.23	24.60	-	-	-	-	-	-	-	-
- HCL Services Limited	-	-	-	-	0.63	0.39	-	-	-	-
- HCL Learning Limited	-	-	-	-	0.01	0.06	-	-	-	-
- HCL Technologies Limited	-	-	-	-	-	-	1.44	24.29	-	-
<b>Services</b>	1.20	0.78	-	-	0.16	-	0.66	-	2.02	0.78
- HCL Technologies Limited	-	-	-	-	-	-	0.66	-	-	-
- HCL Infosystems Limited	1.20	0.78	-	-	0.03	-	-	-	-	-
- HCL Services Limited	-	-	-	-	0.13	-	-	-	-	-
- HCL Infosystems MEA FZE	-	-	-	-	2.54	22.04	167.85	5.17	183.85	131.35
<b>Purchase of Goods</b>	23.46	104.14	-	-	-	-	-	-	-	-
- HCL Infosystems Limited	23.46	104.14	-	-	-	-	-	-	-	-
- Digilife Distribution and Marketing Services Limited	-	-	-	-	2.54	22.04	-	-	-	-
- HCL Technologies Limited	-	-	-	-	-	-	157.85	5.17	-	-
<b>Purchase of Services</b>	-	-	-	-	30.91	33.43	-	-	30.91	33.44
- HCL Infosystems Limited	-	-	-	-	-	-	-	-	-	-
- HCL Services Limited	-	-	-	-	30.91	33.42	-	-	-	-
- HCL Learning Limited	-	-	-	8.41	-	0.01	-	-	-	8.41
<b>Purchase of Investment</b>	-	-	-	8.41	-	-	-	-	-	-
- HCL Investment Pte Ltd	-	-	-	8.41	-	-	-	-	264.22	681.84
<b>Net Inter Company Deposits (ICD) Taken</b>	264.22	681.84	-	-	-	-	-	-	-	-
- HCL Infosystems Limited	264.22	681.84	-	-	-	-	-	-	90.61	17.74
<b>Interest on Inter Company Deposits (ICD) Taken</b>	90.61	17.74	-	-	-	-	-	-	-	-
- HCL Infosystems Limited	90.61	17.74	-	-	-	-	-	-	-	-
<b>Reimbursements towards expenditure</b>	-	-	-	-	-	-	2.25	0.82	2.25	0.82
a) Received	-	-	-	-	-	-	2.25	0.82	-	-
- HCL Technologies Limited	-	-	-	-	8.00	-	-	-	12.55	9.66
b) Paid	4.55	9.66	-	-	-	-	-	-	-	-
- HCL Infosystem Limited	4.55	9.66	-	-	8.00	-	-	-	-	-
- HCL Services Limited	-	-	-	-	-	-	-	-	-	409.47
<b>Net assets Received on Transfer of Business</b>	-	409.47	-	-	-	-	-	-	-	-
- HCL Infosystems Limited	-	409.47	-	-	-	-	-	-	-	-
<b>B. Amount due to / from related parties</b>	-	-	8.41	8.41	-	-	-	-	8.41	8.41
Investment	-	-	-	-	0.32	8.80	4.62	11.29	162.99	102.27
Trade Receivables	158.05	82.18	-	-	0.01	0.01	-	-	0.01	0.01
Other Recoverables	-	-	-	-	-	-	-	-	946.06	681.84
Inter Company Deposits (ICD) Payable	946.06	681.84	-	-	-	-	-	-	-	-
Trade Payables	73.08	87.71	-	-	4.72	53.65	147.24	22.07	225.04	163.43



42. a) **Derivative Instruments outstanding at the Balance Sheet date:**

The Company has following outstanding derivatives as at the reporting date:

Particulars	Foreign Currency		Average Rate		Maximum Maturity Period	
	₹ / Crores					
	2015	2014	2015	2014	2015	2014
Forward contracts to buy USD	\$0.00	\$0.63	64.88	65.94	2 Months	3 Months

The above derivatives have been undertaken to hedge the foreign currency exposures on Import/Royalty payables/Buyers Credit as at June 30, 2015.

b) As on June 30, 2015, the foreign currency exposure that is not hedged by a derivative instrument or otherwise in respect of:

Particulars	₹ / Crores	
	2015	2014
	2015	2014
Trade Payables	13.10	20.29
Trade Receivables	4.07	7.48

c) The unaccrued forward exchange cover has been included under 'Other current assets' and 'Other non current assets' as 'Unamortised Premium on Forwards Contracts'.

Particulars	₹ / Crores	
	2015	2014
	Value / Crores	
Unamortised premium	Nil	0.72

d) Pursuant to notification u/s 211(3C) of the Companies Act, 1956 issued by the Ministry of Corporate Affairs on December 29, 2011, the Company has opted to accumulate the exchange difference arising on translation of foreign currency items having a term of 12 months or more and amortise such exchange difference over the period of the item. Accordingly, a loss stands deferred as at June 30, 2015.

Particulars	₹ / Crores	
	2015	2014
	Value / Crores	
Exchange loss deferred	Nil	(0.41)

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HCL Infotech Limited  
Notes to the Financial Statements

43. The Hon'ble High Court of Delhi sanctioned the Composite Scheme of Arrangement (the "Scheme") between HCL Infosystems Limited, HCL Infotech Limited (the "Company"), HCL Services Limited, HCL Learning Limited (collectively the "Transferee Companies") and HCL Infocom Ltd and their respective shareholders and creditor under the provisions of section 391 to 394 of the Companies Act, 1956, vide its order dated September 18, 2013 received on October 30, 2013. The Scheme has become effective from November 1, 2013 on filing a certified copy of the High Court order with the office of the Registrar of the Companies, NCT of Delhi & Haryana and is applicable from January 1, 2013 (the "Appointed date").
- In accordance with the Scheme, with effect from the Appointed Date, the Company acquired Hardware Solution Business from the Holding Company for Nil Consideration. The assets and liabilities pertaining to the Hardware Solution Business, were recorded at their respective fair values as on December 31, 2012, as determined by an independent valuer. The fair value of assets and liabilities acquired and recorded by the Company are ₹ 2258.10 Cr and ₹ 1848.63 Cr. respectively and ₹ 409.47 Crores, being excess of the fair values of assets over fair value of liabilities has been credited to capital reserve in the books of the Company.
- In accordance with the Scheme, the HCL Infosystems Limited continued to carry on the business and activities in relation to the Hardware Solution business Undertakings on account of and in trust for the Company from January 1, 2013 (the "Appointed date") till November 1, 2013 (the "Effective date").
- Pursuant to this, the Parent Company transferred the loss, amounting to ₹ (62.39) Crores, attributable to the Solution Business for the period from the Appointed date and up to June 30, 2013 to the Company. These loss, after adjusting consequential impact on profits/ (loss) arising from difference between fair values and historical values of assets and liabilities, were recorded by the Company in the 'Surplus in Statement of Profit and Loss' in reserves and surplus.

The Company is in the process of entering into novation agreements with the relevant third parties, including customers and vendors, pertaining to the Hardware Solution Business undertaking. These financial statements include results and assets and liabilities pertaining to the transactions subsequent to the effective date executed by the HCL Infosystems Limited on trust and benefit of HCL Infotech Limited pending entering into novation agreements with the respective parties.

The revenues, costs, trade receivables, inventory and trade payables include revenues, costs, trade receivables, inventory and trade payables pertaining to the transactions subsequent to the effective date executed by the HCL Infosystems Limited on trust and benefit of HCL Infotech Limited pending entering into novation agreements with the respective parties.


44. Previous period's figures have also been regrouped/recasted, where necessary, to conform to the current year's presentation.

For Price Waterhouse  
Firm Registration Number-301112E  
Chartered Accountants

  
AVIJIT MUKERJI  
Partner  
Membership Number - 056155

Place : Noida  
Date : August 20, 2015

For and on behalf of the Board of Directors

  
PREMKUMAR SESHADRI  
Director  
DIN - 03114983

  
S G MURALI  
Group Chief Financial Officer

  
DHIRENDRA SINGH  
Chairman  
DIN - 00852815

  
DIPENDRA CHAUDHARY  
Company Secretary