Management Discussion and Analysis of Financial Condition and Results of Operations

Overview

Positioned as "Born Digital. Born Agile", we focus on delivering a seamless digital experience to our customers. Our offerings include, among others, digital business, product engineering, infrastructure management and security services. Our capabilities provide end-to-end solution in the digital space. We believe that we have developed a customer-centric focus that aims to fulfil their immediate business requirements and to provide them strategically viable, futuristic and transformative digital solutions.

We help our customers in finding new ways to interact with their users and clients enabling them to become more engaging, responsive and efficient. We also offer solutions across the spectrum of various digital technologies such as Robotic Process Automation (RPA), Software-Defined Networking/Network Function Virtualization (SDN/NFV), Big Data and advanced analytics, Internet of Things (IoT), cloud, Business Process Management (BPM) and security.

We are focused on remaining at the forefront of emerging technology trends, including in areas such as Blockchain, virtual/augmented reality, drones & robotics, etc.

As of March 31, 2021, we had 173 active customers. Our repeat business (revenue from existing customers) has steadily grown and contributed a significant portion of our revenue from contracts with customers over the years indicating a high degree of customer stickiness.

We believe our agility and resilience has stood out in recent years. In the Fiscal 2021 and in Fiscal 2020, we delivered 93.9% and 90.1% respectively of our projects through agile delivery methodology. Over the years and currently during the ongoing outbreak of Novel Coronavirus, we have successfully implemented our business continuity plans including to achieve efficient work-from-home practices to ensure connectivity across the enterprise.

Our mission statement is "Happiest People. Happiest Customers" and we seek to enable our customers' happiness through our people's happiness. Our culture rests on the foundation of our SMILES Values (Sharing, Mindful, Integrity, Learning, Excellence, Social Responsibility). We believe that the recognitions and awards received by our Company are on outcome of our mindful approach. In the Great Place to Work® 2020 survey, we were ranked among India's Top 50 Best Workplaces for Women and ranked #4 amongst IT services. We have also received the Great Place to Work® Certification. As of March 31, 2021, we had a Glassdoor rating of 4.3 on a scale of '1- 5', 2nd amongst Indian IT services companies.

Our business is divided into the following three Business Units (BUs):

- Digital Business Services (DBS): Our DBS offerings are aimed at (i) driving digital modernization and transformation for our customers through digital application development and application modernization for an improved customer experience, enhanced productivity and better business outcomes; (ii) implementation of solutions, development and implementation of solution, capabilities for improving data quality of the customer's platform, assistance in designing and testing of operations and management of platform and modernization of digital practices; and (iii) consulting and domain led offerings such as digital roadmap, mindful design thinking, and migration of on-premise applications to cloud.

- Product Engineering Services (PES): Our PES BU aims to help our customers capitalize on the transformative potential of 'digital' by building products and platforms that are smart, secure and connected. We provide our customers a blend of hardware and embedded software knowledge which combines with our software platform engineering skills to help create high quality, scalable and secure solutions. Our offerings extend across the development lifecycle from strategy to final roll out while ensuring quality. We get our clients started on this journey with our digital foundry that allows us to build rapid prototypes for our customers and provide a scalable Minimum Viable Product (MVP). We embrace a cloud and a mobile friendly approach along with an agile model that is supported by test automation to help our clients accelerate their time to market and build a competitive advantage.

- Infrastructure Management & Security Services (IMSS): Our IMSS offerings provide an end to end monitoring and management capability with secure ring fencing of our customers' applications and infrastructure. We provide continuous support and managed security services for mid-sized enterprises and technology companies. Specialized in automation of business and IT operations with DevSecOps model and with NOC/SOC, we strive to ensure that the data center, cloud infrastructure and applications are safe, secure, efficient and productive. Our security offerings include cyber and infrastructure security, governance, risk & compliance, data privacy and security, identity and access management and threat and vulnerability management. Our infrastructure offerings include DC and hybrid cloud services, workspace services, service automation (RPA, ITSM & ITOM), database and middleware services and software defined infrastructure services.

Our business units are supported by the following three Centers of Excellence (CoEs):

- Internet of Things (IoT): Our IoT offering includes consulting led digital strategy creation, device/edge/platform engineering, end-to-end system integration on industry standard IoT platforms, IoT security, and IoT enabled managed services, implementing IoT roadmap, deriving insights from connecting assets, connecting manufacturing, supply chain, products and services to deliver IoT led business transformation and new business models aimed at enhancing our customers' operations and customer experience. In Fiscals 2020 and Fiscals 2021, revenues from IoT offerings were 9.8% and 10.5%, respectively.

- Analytics / Artificial Intelligence (AI): Our analytics/AI offering includes implementation of advanced analytics using artificial intelligence, machine learning and statistical models, engineering big data platforms to deal with large volume of data, creating actionable insights with data warehousing, modernization of data infrastructure and process automation through AI. In Fiscals 2020 and Fiscals 2021 revenues from analytics/AI were 11.6% and 13.3%, respectively.

- Digital Process Automation (DPA): Our DPA offering includes consulting led digital transformation through process automation of core business applications, products and infrastructure landscape of our customers, leveraging various intelligent process automation tools and technologies including Robotic Process Automation (RPA), intelligent business process management (iBPMS) and cognitive automation using AI & machine learning based models. In Fiscals 2020 and Fiscals 2021 revenues from DPA were 20.7% and 25.2%, respectively.

  In Fiscals 2020 and 2021, our total income was ₹ 71,423 lacs and ₹ 79,765 lacs, respectively, our EBITDA was ₹ 10,816 lacs and ₹ 21,573 lacs, respectively and our profit for the Fiscal 2020 and 2021 was ₹ 7,171 lacs and ₹ 16,246 lacs, respectively. This represents a CAGR for total income of 18.7% and a CAGR for EBITDA of 204.8% between Fiscal 2018 and Fiscal 2021.

Significant Factors Affecting our Results of Operations

The following is a discussion of certain factors that have had, and will continue to have, a significant effect on our financial condition and results of operations:

Expansion of customer base and new sales to existing customers

Customer relationships are the core of our business. We had an average count of active customers 157 and 173 as of March 31, 2020 and 2021, respectively. Our ability to grow our customer base and drive market adoption of our software is affected by the pace at which organizations digitally transform. We expect that our revenue growth will be primarily driven by the pace of adoption of our offerings. We believe the degree to which prospective customers recognize the need for our offerings to maximize their business process, would lead to a higher budget allocation by such prospective customers for engaging our services. This will drive our ability to acquire new customers and increase sales to existing customers, which in turn, will affect our future financial performance.

We believe that we have benefited from growth in the global software development services industry. Growth in the industry is driven by the needs of major corporations to maintain and upgrade the technology and services required to operate in a cost-efficient manner. Software companies are also increasingly outsourcing work to IT services providers in order to streamline and reduce the cost of the software development process. The Indian software development services market is growing rapidly due to its large pool of skilled IT professionals, highly-developed infrastructure and strong government support and incentives.

We believe we have a substantial opportunity to grow our customer base. We have invested, and intend to continue to invest, in order to drive sales to new customers. In particular, we have made, and plan to continue to make, investments to enhance the expertise of our sales and marketing organization within our key focus industries of Edutech, HiTech, BFSI, Industrial/Manufacturing, and Retail.

Many of our existing customers typically expand their usage of our services products through our cross-selling across our BUs. Our ability to increase sales to existing customers will depend on a number of factors, including the size of our sales force and professional services teams, customers' level of satisfaction with our services and professional services, pricing, economic conditions and our customers' overall budget and spending levels. Our repeat business (revenue from existing customers) has steadily grown and contributed a significant portion of our revenue from contracts with customers over the years indicating a high degree of customer stickiness. We believe that our ability to establish and strengthen customer relationships and expand the scope of our products and services will be an important factor in our future growth and our ability to continue increasing our profitability.

Our ability to develop new products and enhance existing products in accordance with evolving customer needs

The requirements of our customers vary across a range of industries, geographies and service or technical requirements. To service and grow our relationships with our existing customers and to win new customers, we must be able to provide them with products that address their requirements, to anticipate and understand trends in their relevant markets and to continually address their requirements as those requirements change and evolve. In this regard, we believe that our strong culture of innovation, our workforce and our research and testing facilities have enabled us to expand the range of our offerings to customers and improve the delivery of our software platform and services.

If we are able to anticipate and respond to our customers' requirements on a timely and cost-efficient basis, we would expect to receive repeat business from existing customers. Further, leveraging on our present portfolio of customers and expertise in the verticals of our existing customers we aim to develop new customer relationships by identifying potential customers that operate within the same verticals as our existing customers. In addition, if we are able to generate healthy demand for our products and services, we may be able to increase our price, which would consequently lead to an increase in our revenues and profit margins. Conversely, if we are unable to provide innovative services to our customers, either at all or at an acceptable price, or if our customers are dissatisfied with our work for any other reason, it would have an adverse effect on our revenues and our profits.

Our continued growth in the United States market

The US market has historically been our single largest market. In Fiscals 2020 and 2021, our external customers located in the United States contributed 77.5% and 73.4% of our revenue from operations, respectively.

Our continued business growth and financial performance will depend on our ability to continue to grow our customer base in the United States market. The concentration of our revenues from operations from the United States heightens our exposure to adverse developments related to competition, as well as economic, political, regulatory and other changes. Any such adverse development affects the overall economy of the United States may have a material adverse effect on our business, financial condition and results of operations.

Pricing of and margin on our services and revenue mix

For time-and-materials contracts, the hourly rates we charge for our IT professionals are a key factor impacting our gross profit margins and profitability. Hourly rates vary by complexity of the project and the mix of staffing. The margin on our services is impacted by the increase in our costs in providing those services, which is influenced by wage inflation and other factors. As a client relationship matures and deepens, we seek to maximize our revenues and profitability by expanding the scope of services offered to that client and winning higher profit margin assignments.

Continued Relationships with ISVs

Over the years, we have developed strong relationships with several ISVs. We intend to deepen our relationships with our ISVs by offering customized, end-to-end payment transactions and automation solutions and procure repeat orders. Our ability to maintain and strengthen our relationships with such customers is expected to affect our revenues. Our ability to continue offer our products and services is dependent on our continued relationships with such ISVs. We believe that our long-standing relationship with such companies has led to effective knowledge sharing and the adoption of global best practices, thereby enabling us to improve and develop our in-house service capabilities. Further, we believe that such partnerships have also allowed us to develop credibility, as we are able to cater to our customers in a quick and effective manner. Consequently, the development and continued maintenance of relationships with ISVs is a key factor in the operation of our business.

Recruitment, retention and management of IT professionals

Our ability to recruit, retain and manage our IT professionals will have an effect on our gross profit margin and our results of operations. Our IT professional headcount was 2,964 as of March 31, 2021 and 2,420 at March 31, 2020. We manage employee headcount and utilization based on ongoing assessments of our project pipeline and requirements for professional capabilities. An unanticipated termination of a significant project could cause us to experience lower employee utilization resulting from a higher than expected number of idle IT professionals. Our ability to effectively utilize our employees is typically improved by longer-term client relationships due to increased predictability of client needs over the course of the relationships.

Our success depends in large part of our ability to attract, retain and train our employees, in particular highly skilled engineering professionals.

Our employee benefits consists of salaries, wages and bonus, contribution to provident fund and other funds, employee stock compensation expense, compensated absences, gratuity and staff welfare. Salaries and wages in India, including in the services industry, have historically been lower those in the United States, Europe and other developed economies. However, if these costs in India continue to increase at a rate faster than in the United States, Europe and other developed economies due to competitive pressures, we may experience a greater increase in our employee costs, thereby eroding one of our principal cost advantages over competitors in the United States, Europe and other developed economies. In addition, our ability to manage our employee costs will also be heavily impacted by our international and domestic resource mix. For example, any increases in visa fees or healthcare insurance costs for employees located in developed countries such as USA and Canada, would increase our employee costs.

In addition, as we continue to invest in the recruitment and retention of sales staff in line with our growth strategies, we are likely to incur costs in relation to our market penetration, sales and marketing initiatives, and for the recruitment of sales employees located in India and overseas.

Significant Accounting Policies

Revenue recognition

The Group derives revenue primarily from rendering engineering services and sale of licenses. Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration the Group expects to receive in exchange for those products or services. The Group is a principal in rendering engineering services and agent in relation to sale of licenses. Amounts disclosed as revenue are net of trade allowances, rebates and Goods and Services tax (GST), amounts collected on behalf of third parties and includes reimbursement of out-of-pocket expenses, with corresponding expenses included in cost of revenues.

Revenue from the rendering of services and sale of license is recognized when the Group satisfies its performance obligations to its customers as below:

Rendering of engineering services

Revenues from engineering services comprise primarily income from time-and-material and fixed price contracts. Revenue with respect to time and-material contracts is recognized over the period of time as the related services are performed. Revenue with respect to fixed price contracts where performance obligation is transferred over time and where there is no uncertainty as to measurability or collection of consideration is recognized in accordance with the proportionate performance method. The input (efforts expended) method has been used to measure progress towards completion, as there is a direct relationship between input and productivity. Provisions for estimated losses on contracts-in-progress are recorded in the period in which such losses become probable based on the current contract estimates. In determining the transaction price for rendering of engineering services, the Group considers the effect of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the customers if any. Revenue is recognized net of trade and cash discounts.

Trade receivables

A receivable is recognized if an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets.

Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Sale of licenses

The Group is a reseller for sale of right to use licenses and acting as agent in the arrangement. The revenue for sale of right to use license is recognized at point in time when control on use of license is transferred to the customer.

Contract balances

Contract assets: The Group classifies its right to consideration in exchange for deliverables as either a receivable or as unbilled revenue. A receivable is a right to consideration that is unconditional upon passage of time. Revenues in excess of billings is recorded as unbilled revenue and is classified as a financial asset where the right to consideration is unconditional upon passage of time. Unbilled revenue which is conditional is classified as other current asset. Trade receivables and unbilled revenue is presented net of impairment.

Contract liabilities: A contract liability (which we referred to as Unearned Revenue) is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is received.

Interest income

Interest income is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Interest income is included under the head 'other income' in the statement of profit and loss.

For all financial instruments measured at amortized cost, interest income is recorded using the effective interest rate, which 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 net carrying amount of the financial asset. Interest income is included in other income in the statement of profit and loss.

Dividend income

Dividend income on investments is accounted when the right to receive the dividend is established, which is generally when shareholders approve the dividend. Dividend income is included under the head "Other income" in the statement of profit and loss account.

Business Combination

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in other expenses.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their acquisition date fair values. For this purpose, the liabilities assumed include contingent liabilities representing present obligation and they are measured at their acquisition fair values irrespective of the fact that outflow of resources embodying economic benefits is not probable. However, the following assets and liabilities acquired in a business combination are measured at the basis indicated below:

- Deferred tax assets or liabilities, and the assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with Ind AS 12 Income Tax and Ind AS 19 Employee Benefits respectively.

- Liabilities or equity instruments related to share based payment arrangements of the acquiree or share – based payments arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with Ind AS 102 Share-based Payments at the acquisition date.
- Assets (or disposal Groups) that are classified as held for sale in accordance with Ind AS 105 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.
- Reacquired rights are measured at a value determined on the basis of the remaining contractual term of the related contract. Such valuation does not consider potential renewal of the reacquired right.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of Ind AS 109 Financial Instruments, is measured at fair value with changes in fair value recognized in statement of profit and loss in accordance with Ind AS 109. If the contingent consideration is not within the scope of Ind AS 109, it is measured in accordance with the appropriate Ind AS and shall be recognized in profit or loss. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and subsequent its settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in OCI and accumulated in equity as capital reserve. However, if there is no clear evidence of bargain purchase, the entity recognizes the gain directly in equity as capital reserve, without routing the same through OCI.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Property, plant and equipment

Capital work in progress is stated at cost, net of accumulated impairment loss if any.

Property, plant and equipment are stated at historical cost less accumulated depreciation, and accumulated impairment loss, if any. Historical cost comprises of the purchase price including duties and non-refundable taxes, borrowing cost if capitalization criteria's are met, directly attributable expenses incurred to bring the asset to the location and condition necessary for it to be capable of being operated in the manner intended by management and initial estimate of decommissioning, restoring and similar liabilities.

Subsequent costs related to an item of property, plant and equipment are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are recognized in statement of profit and loss during the reporting period when they are incurred.

An item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gains or losses arising from derecognition 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 individually costing ₹ 5,000 or less are depreciated at 100% in the year in which such assets are ready to use.

Depreciation is calculated using the straight-line method over their estimated useful lives as follows:

The estimates of useful lives of tangible assets are as follows:

Class of asset	Useful life as per Schedule II	Useful life as per Group
Furniture and fixtures	10 years	5 years
Office equipment	5 years	4 years
Computer systems	6 years for server 3 years for other than server	2.5-3 years

Leasehold improvements are amortized over the period of the lease or life of the asset whichever is less.

The useful lives have been determined based on technical evaluation done by the management's expert which in certain instances are different from those specified by Schedule II to the Companies Act, 2013, in order to reflect the actual usage of the assets. The assets residual values and useful life are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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.

An item of intangible asset is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gains or losses arising from derecognition 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.

Goodwill

Goodwill on acquisitions of business is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of a business include the carrying amount of goodwill relating to the business sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or Group of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or Group of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

Other 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.

An item of intangible asset is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gains or losses arising from derecognition 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.

Amortization methods and periods

The Group amortises intangible assets with a finite useful life using the straight-line method over the following periods:

Asset	Life in Years
Computer software	2.5-3 years
Non compete fees	3 years
Customer relations	3 years
Trade mark	3 years
Exclusive license	2 years

The estimated useful life of the intangible assets and the amortization period are reviewed at the end of the each financial year and the amortization period is revised to reflect the changed pattern, if any.

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Subsequent costs related to Intangible assets are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. To estimate cash flow projections beyond periods covered by the most recent budgets/forecasts, the Group extrapolates cash flow projections in the budget using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. In any case, this growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the Group operates, or for the market in which the asset is used.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the statement of profit and loss, except for properties previously revalued with the revaluation surplus taken to OCI. For such properties, the impairment is recognized in OCI up to the amount of any previous revaluation surplus.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit and loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

Leases

The Group has lease contracts for various items of computers, vehicles and buildings used in its operations. Lease terms generally ranges between 3 and 10 years.

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right- of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section 2 (e) for policy on impairment of non- financial assets.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Lease and non-lease component

As per Ind AS 116, “As a practical expedient, a lessee may elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.”

The Group have not opted for this practical expedient and have accounted for Lease component only.

Extension and termination option

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group’s business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised. Management have not considered any future cash outflow for which they are potentially exposed arising due to extension and termination options.

Group as lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit and loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. If a head lease is a short- term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease, otherwise, the sublease shall be classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

Provisions and Contingent Liabilities

Provisions: Provisions are recognized when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, in respect of which a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Provision for warranty

As per the terms of the contracts, the Group provides post-contract services / warranty support to some of its customers. The Group accounts for the post-contract support / provision for warranty on the basis of the information available with the management duly taking into account the current and past technical estimates. The estimate of such warranty-related costs is revised annually.

Contingent Liabilities: A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Group does not recognize a contingent liability but discloses it in the Restated Consolidated Summary Statements, unless the possibility of an outflow of resources embodying economic benefits is remote.

Principal Components of our Statement of Profit and Loss

Income

Our total income comprises of revenue from contract with customers and other income.

Revenue from contract with customers

Our revenue from contract with customers comprises of revenue from (i) sale of services and (ii) sale of licenses.

The following table sets forth a breakdown of our revenue from contract with our customers for the periods indicated:

(in ₹ lacs)

	March 31, 2021	March 31, 2020
Sale of services	77,306	69,760
Sale of licenses	35	61
Revenue from contracts with customers	**77,341**	**69,821**

Our revenue from contract with our customers are generated from three business units, namely Infrastructure Management & Security Services, Digital Business Solution and Product Engineering Services.

Infrastructure Management and Security Solutions (IMSS) business unit delivers integrated end-to-end infrastructure and security solutions with specialization in cloud, virtualization and mobility across a multitude of industry verticals and geographies. This group provides advisory, transformation, managed and hosted services, and secure intelligence solutions to our customers. This group has unique productized solution platforms for smart infrastructure and security solutions provides quick to deploy, mature service delivery over Global SOC/NOC. This improves efficiency and serviceability, reduces cost and drives innovation.

Digital Business Solutions business unit delivers high value, cost-effective enterprise applications and customized solutions that enable organizations to be smarter and accelerate business transformations. This group provides advisory, design and architecture, custom-app development, package implementation, testing and on-going support services to IT initiatives. The business drivers for these applications are increasing market share, enhancing customer engagement, improving agility and efficiency of internal operations, reducing cost, driving differentiation and standardizing business processes.

Product Engineering Services business unit assists software product companies in building robust products and services that integrate mobile, cloud and social technologies. This group helps our customers understand the impact of new technologies and incorporate these technologies into their product roadmap. This group focuses on technology depth, innovation and solution accelerators which allow us to deliver time-to-market, growth and cost benefits to our customers.

The following table sets forth our revenue from contracts with customers on the basis of business unit for the period indicated.

(in ₹ lacs)

Disaggregated Revenues Information	March 31, 2021	March 31, 2020
Revenue from Infrastructure Management & Security Services	16,421	15,361
Revenue from Digital Business Solutions	21,288	19,167
Revenue from Product Engineering Services	39,632	35,293
Total revenue from contracts with customers	**77,341**	**69,821**

Other income

Our other income primarily consists of (i) interest income on deposit with banks, financial instrument measured at amortized cost and others, (ii) fair value gain on investment measured at FVTPL, (iii) gain on sale of investments measured at FVTPL and (iv) exchange gain (v) Rent concession.

Expenses

Our expenses comprise of (i) employee benefits expense, (ii) depreciation and amortization, (iii) finance cost and (iv) other expenses.

Employee benefits expense

Our employee benefits expense comprises of (i) salaries, wages and bonus, (ii) contribution to provident fund, (iii) employee stock compensation expense, (iv) gratuity expense, (v) compensated absences and (vi) staff welfare expenses.

The following table sets forth a breakdown of our employee benefits expense for the periods indicated:

(in ₹ lacs)

	March 31, 2021	March 31, 2020
Salaries, wages and bonus	41,522	41,089
Contribution to provident fund	2,087	1,905
Employee stock compensation expense	297	266
Gratuity expense	409	317
Compensated absences	689	382
Staff welfare expenses	234	164
Total employee benefits expense	**45,238**	**44,123**

Depreciation and amortization

Our tangible and intangible assets are depreciated and amortized over periods corresponding to their estimated useful lives. Please see “Significant Accounting Policies” above. Our depreciation and amortization expense comprises of (i) depreciation of property, plant and equipment, (ii) amortization of intangible assets and (iii) depreciation of right-of-use assets.

Finance cost

Our finance cost comprises of (i) interest expense on borrowings and lease liability and (ii) fair value loss on compulsory convertible preference shares (iii) Fair value loss on warrant liability.

Other expenses

Our other expenses primarily comprise of (i) subcontractor charges, (ii) legal and professional fees, (iii) software license cost and (iv) travelling and conveyance.

The following table sets forth a breakdown of our other expenses for the periods indicated:

(in ₹ lacs)

	March 31, 2021	March 31, 2020
Power and fuel	184	449
Subcontractor charges	7,445	7,271
Repairs and maintenance		
- Buildings	101	193
- Equipments	27	25
- Others	209	404
Rent expenses - refer note (ii) below	166	300
Advertising and business promotion expenses	101	263
Commission	174	186
Communication costs	257	289
Insurance	46	36
Legal and professional fees - refer note (i) below	273	1,140
Software license cost	1,788	1,238
Rates and taxes	69	31
Recruitment charges	360	230
Impairment loss allowance on trade receivables	980	706
Impairment loss allowance on unbilled revenue	41	56
Sitting fees to non-executive directors - refer note 38	56	9
Commission to non-executive directors - refer note 38	24	-
Corporate social responsibility ('CSR') expenditure - refer note 39	75	21
Travelling and conveyance	427	2,910
Miscellaneous expenses	151	231
	12,954	**15,988**

Income tax expense

Our income tax expense comprises of current tax, adjustment of tax relating to earlier periods and deferred tax credit.

Exceptional items

Our exceptional items comprise of impairment of goodwill. We have recognized impairment of goodwill in Fiscal 2020 arising out of the acquisition of OSS Cube LLC and a business division acquired from OSS Cube Solutions Limited.

Results of Operations

The following table sets forth our consolidated statement of profit and loss for the periods indicated.

	March 31, 2021		March 31, 2020	
	(₹ lacs)	(%)*	(₹ lacs)	(%)*
Income				
Revenue from contract with customers	77,341	97%	69,821	98%
Other income	2,424	3%	1,602	2%
Total income	**79,765**	**100%**	**71,423**	**100%**
Expenses				
Employee benefits expense	45,238	57%	44,123	62%
Depreciation and amortization	2,274	3%	2,023	3%
Finance cost	697	1%	802	1%
Other expenses	12,954	16%	15,988	22%
Total expenses	**61,163**	**77%**	**62,936**	**88%**
Profit/(loss) before exceptional items and tax	**18,602**	**23%**	**8,487**	**12%**
Exceptional items – impairment of goodwill	-	-	1,126	2%
Profit/(loss) before tax	**18,602**	**23%**	**7,361**	**10%**
Current tax	3,527	4%	172	0.25%
Adjustment of tax relating to earlier periods	-		18	0.03%
Deferred tax change/(credit)	(1,171)	(1)%	-	
Profit/(loss) for the year	**16,246**	**20%**	**7,171**	**10%**
Other comprehensive income				
Other comprehensive income to be reclassified to profit or loss in subsequent period				
Exchange differences on translating the financial statements of a foreign operation	22	0.03%	(12)	(0.02)%
Net movement on effective portion of cash flow hedges	1,236	2%	(967)	(1)%
Income tax effect	(127)	(0.16)%	-	-
Net other comprehensive income / (loss) to be reclassified to profit or loss in subsequent periods	**1,131**	**1%**	**(979)**	**(1)%**
Other comprehensive income not to be reclassified to profit or loss in subsequent period				
Re-measurement gains/(losses) on defined benefit plans	(144)	(0.18)%	(139)	(0.19)%
Income tax effect	36	0.05%	-	-
Net other comprehensive income / (loss) not to be reclassified to profit or loss in subsequent periods	**(108)**	**(0.14)%**	**(139)**	**(0.19)%**
Other comprehensive income / (loss) for the year, net of tax	**1,023**	**1%**	**(1,118)**	**(2)%**
Total comprehensive income / (loss) for the year	**17,269**	**22%**	**6,053**	**8%**
Restated profit/(loss) for the year				
Attributable to:				
Owners of the Company	16,246	20%	7,171	10%
Non-controlling interest	-	-	-	-
Total comprehensive income / (loss) for the year				
Attributable to:				
Owners of the Company	17,269	22%	6,053	8%
Non-controlling interest	-	-	-	-
Earnings per equity share				
Basic, computed on the basis of profit for the year attributable to equity holders of the parent	11.75		7.04	
Diluted, computed on the basis of profit for the year attributable to equity holders of the parent	11.45		5.36	

* (%) column represents percentage of total income.

Fiscal 2021 compared to Fiscal 2020

Income

Our total income increased by 11.7% to ₹ 79,765 lacs in Fiscal 2021 from ₹ 71,423 lacs in Fiscal 2020, due to increases in both revenues from contracts with customers and other income.

Revenue from contracts with customers

Our revenue from contracts with customers increased by 10.8% to ₹ 77,341 lacs in Fiscal 2021 from ₹ 69,821 lacs in Fiscal 2020, primarily due to an increase in the volume of projects executed by us on account of higher utilization of our increased workforce.

Infrastructure Management & Security Services: Our revenue from Infrastructure Management & Security Services increased by 6.9% to ₹ 16,421 lacs in Fiscal 2021 from ₹ 15,361 lacs in Fiscal 2020, primarily due to an increase in the number of projects executed by us on account of higher utilization of our increased workforce.

Digital Business Solution: Our revenue from Digital Business Solution increased by 11.1% to ₹ 21,288 lacs in Fiscal 2021 from ₹ 19,167 lacs in Fiscal 2020. Our growth in Digital Business Solution business unit was due to increase in the number of projects and acquisition of PGS Inc.

Product Engineering Services: Our revenue from Product Engineering Services increased by 12.3% to ₹ 39,632 lacs in Fiscal 2021 from ₹ 35,293 lacs in Fiscal 2020, primarily due to an increase in the number of projects executed by us on account of higher utilization of our increased workforce.

Other income

Our other income increased by 51.3% to ₹ 2,424 lacs in Fiscal 2021 from ₹ 1,602 lacs in Fiscal 2020, primarily due to increases in (i) interest income on deposit with banks, financial instrument measured at amortized cost and others, (ii) gain on sale of investment measured at fair value through profit and loss (iii) Rent concession availed from lessor (iv) Settlement of claim from OSS Cube LLC and (v) exchange gain.

Expenses

Our total expenses decreased by 2.8% to ₹ 61,163 lacs in Fiscal 2021 from ₹ 62,936 lacs in Fiscal 2020, primarily decrease travel costs and decrease in facility costs and other expenses, partially offset by increases in software license cost and impairment loss on receivables.

Employee benefits expense

Our employee benefits expense increased by 2.5% to ₹ 45,238 lacs in Fiscal 2021 from ₹ 44,123 lacs in Fiscal 2020, primarily due to increase in overall headcount and also due to acquisition of subsidiary Happiest Minds Inc (formerly PGS Inc).

Depreciation and amortization

Our depreciation and amortization increased by 12.4% to ₹ 2,274 lacs in Fiscal 2021 from ₹ 2,023 lacs in Fiscal 2020. Increase is mainly on account of amortization of intangible assets arising out of acquisition of subsidiary Happiest Minds Inc (formerly PGS Inc).

Finance cost

Our finance cost decreased by 13.1% to ₹ 697 lacs in Fiscal 2021 from ₹ 802 lacs in Fiscal 2020, primarily due to decrease in interest expense on lease liabilities.

Other expenses

Our other expenses decreased by 19.0% to ₹ 12,954 lacs in Fiscal 2021 from ₹ 15,988 lacs in Fiscal 2020, primarily due to decrease in (i) Travel expenses due to current pandemic situation, (ii) legal and professional fees partially offset by increase in software license cost.

Profit before exceptional items and tax

As a result of the foregoing, our profit before exceptional items and tax increased by 119.2% to ₹ 18,602 lacs in Fiscal 2021 from ₹ 8,487 lacs in Fiscal 2020.

Exceptional Item – Impairment of Goodwill

In Fiscal 2020 there was impairment of goodwill arising out of the acquisition of OSS Cube LLC and a business division acquired from OSS Cube Solutions Limited.

Profit before tax

As a result of the foregoing, our profit before tax increased 152.7% to ₹ 18,602 lacs in Fiscal 2021 from ₹ 7,361 lacs in Fiscal 2020.

Tax expenses

Our total tax expense increased by 1140.0% to ₹ 2,356 lacs in Fiscal 2021 from ₹ 190 lacs in Fiscal 2020 primarily due to increase in taxable income which was offset by tax credit on account of recognition of deferred tax asset . In Fiscal 2021, business loss carried forward was totally offset with the taxable income and advance tax was paid. We recorded deferred tax credit of ₹ 1,171 lacs, while our deferred tax credit in Fiscal 2020 was nil.

Profit for the year

Due to the factors discussed above, our profit / (loss) for the year increased by 126.6% to ₹ 16,246 lacs in Fiscal 2021 from ₹ 7,171 lacs in Fiscal 2020.

Liquidity and Capital Resources

Our primary sources of liquidity have historically been cash generated from operations and borrowings from banks. Other than the proceeds of the Offer, we expect that cash generated from operations and bank borrowings will continue to be our primary sources of liquidity. We believe that after taking into account cash generated from proceeds of the offer and our business operations, we will have sufficient working capital for both our present and anticipated future requirements for capital expenditures and other cash requirements for 12 months following end of Fiscal 2021.

Cash flows

The following table sets out a condensed summary of our cash flows for the periods indicated.

(in ₹ lacs)

	March 31, 2021	March 31, 2020
Net cash flows from operating activities	14,365	11,222
Net cash flows used in investing activities	(28,363)	(7,374)
Net cash flows from/(used) in financing activities	16,936	(1,334)
Cash and cash equivalents at the beginning of the year	4,353	1,627
Cash and cash equivalents at the end of the year	8,583	4,353

Operating activities

Fiscal 2021

Our net cash flows from operating activities was ₹ 14,365 lacs in Fiscal 2021. Our operating cash flow before working capital changes was ₹ 20,880 lacs in Fiscal 2021, which was primarily adjusted by depreciation and impairment of property, plant and equipment and right-of-use assets of ₹ 2,274 lacs, impairment loss on financial assets of ₹ 1,021 lacs and finance cost of ₹ 669 lacs, partially offset by gain on investment carried at fair value through profit and loss of ₹ 855 lacs, interest income of ₹ 838 lacs and rent concession of ₹ 302 lacs. Our movements in working capital primarily consisted of an increase in financial assets of ₹ 1,443 lacs, increase in trade receivables of ₹ 511 lacs, decrease in financial liabilities of ₹ 1,684 lacs and an increase in non-financial liabilities of ₹ 1,109.

Fiscal 2020

Our net cash flows from operating activities was ₹ 11,222 lacs in Fiscal 2020. Our operating cash flow before working capital changes was ₹ 11,125 lacs in Fiscal 2020, which was primarily adjusted by depreciation and impairment of property, plant and equipment and right-of-use assets of ₹ 2,023 lacs, impairment of goodwill of ₹ 1,126 lacs and finance cost of ₹ 802 lacs, partially offset by gain on investment carried at fair value through profit and loss of ₹ 576 lacs and interest income of ₹ 466 lacs. Our movements in working capital primarily consisted of an increase in financial assets of ₹ 2,776 lacs, a decrease in trade receivables of ₹ 1,352 lacs and an increase in financial liabilities of ₹ 1,976 lacs.

Investing activities

Fiscal 2021

Net cash flows used in investing activities was ₹ 28,363 lacs in Fiscal 2021. This was primarily due to acquisition of equity shares of subsidiary of ₹ 6,025 lacs, net investment in mutual fund of ₹ 29,956 partially offset by proceeds from maturity of fixed deposit of ₹ 6,931 lacs.

Fiscal 2020

Net cash flows used in investing activities was ₹ 7,374 lacs in Fiscal 2020. This was primarily due to investment in bank deposit of ₹9,769 lacs, partially offset by proceeds from sale of mutual funds (net) of ₹ 2,054 lacs.

Financing activities

Fiscal 2021

Net cash flows from financing activities was ₹ 16,936 lacs. This was primarily due to proceeds from issue of equity share capital (net of transaction costs) of ₹ 10,544 lacs, net proceeds from borrowings of ₹ 8,982 lacs (which included borrowings arrangement entered for acquisition of subsidiary of ₹ 6,025), which was partially offset by payment of principal and interest portion of lease liabilities of ₹ 1,989.

Fiscal 2020

Net cash flows used in financing activities was ₹ 1,334 lacs. This was primarily due to payment of principal portion and interest portion of lease liabilities of ₹ 2,124 lacs and repayment of long-term borrowings of ₹ 755 lacs, partially offset by net proceeds from short-term borrowings of ₹ 1,430 lacs.

Borrowings

As of March 31, 2021, we had total outstanding borrowings (excluding current maturities of borrowings) of ₹ 14,633 lacs, which consisted of non-current and current borrowings. Our non-current borrowings consisted foreign currency term loan from bank and is secured by charge on moveable assets and lien on fixed deposits. Our current borrowings consisted of foreign currency loan (PCFC) and bank overdraft.

As of March 31, 2021, the average effective interest rates of our current borrowings and non-current borrowings were 1.55% and 3.45%, respectively.

The following table sets out borrowings as of March 31, 2021.

(in ₹ lacs)

	March 31, 2021
Non-current	
Secured	
Foreign currency term loan from bank	5,658
Less: Current maturity of term loans	(1,997)
Total non-current borrowings	**3,661**
Current	
Secured	
Loans repayable on demand from banks	
Foreign currency loan (PCFC)	10,972
Total current borrowings	**14,662**

The loan agreements that we have entered into with the lender banks contain certain restrictive covenants that limit our ability to undertake certain types of transactions. We are required to obtain an approval from the lender banks for, among other things, altering our capital structure, dilution in shareholding of our Promoter of our Company, effecting any change in the composition of the board of directors of our Company and its management and control, changing the name of the Company including pursuant to the conversion of the Company from a private limited company to a public limited company, and amending constitutional documents.

Contractual Obligations and Commitments

The following table sets forth information regarding our contractual obligations and commitments as of March 31, 2021.

(in ₹lacs)

	Payment due by period			
	Total	Less than one year	Between one and five years	Later than five years
	(in ₹ lacs)			
Lease liabilities (carried at amortized cost)	**2,928**	1,600	1,328	
Trade Payables (carried at amortized cost)				
Total outstanding dues of micro enterprises and small enterprises	**95**	95	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises	**4,006**	4,006	-	-
Capital commitments towards purchase of capital assets	**152**	152	-	-

Related Party Transactions

Related party transactions primarily relate to contribution made to post employee benefit plan, directors' sitting fees and managerial remunerations.

Off-balance Sheet Arrangements and Contingent Liabilities

As of March, 2021 31, we did not have any off-balance sheet arrangements.

As of March 31, 2021, our contingent liabilities, as per Ind AS 37 Provisions, Contingent Liabilities and Contingent Assets, that have not been provided for are as set out in the table below:

(in ₹lacs)

	March 31, 2021
Guarantees given by banks on behalf of the Group for contractual obligations of the Group	1,289

Other claims against the Group not provided for in books

The Group had entered into Membership Interest Purchase Agreement on May 29, 2017 to acquire interest in OSS Cube LLC. As per terms of Membership Interest Purchase Agreement, the sellers of OSS Cube LLC had to pay ₹ 100.1 lacs towards shortfall in working capital and accounts receivable for which the Group made a claim with the Sellers through US attorneys in May 2018. The Counsel representing Sellers responded in June 2018, admitting the claim to the extent of ₹ 63.1 lacs and have made a counterclaim of ₹ 558.4 lacs for breach of earn-out/contingent payment. The Group's counsel believes that the counter claim is weak, vague and cannot be substantiated as the conditions set forth in the Membership Interest Purchase and Sale Agreement for payment of earn out/contingent payments were not met. Accordingly, no provision is created against the counter claim made by sellers in the financial statement. Subsequent to the end of the year on April 15, 2020, a settlement was reached and settlement agreement has been entered by both the parties wherein the Sellers have agreed to pay USD 0.28 over an agreed period of time and all claims by the Seller have been relinquished. No adjustments were required to be made in the financial statements for the year ended March 31, 2020, as the settlement was agreed subsequent to the end of the year.

The Group is also subject to certain other claims and suits that arise from time to time in the ordinary conduct of its business. While the Group currently believes that such claims, individually or in aggregate, will not have a material adverse impact on its financial position, cash flows, or results of operations, the litigation and other claims are subject to inherent uncertainties, and management's view of these matters may change in the future. Were an unfavorable final outcome to occur in any one or more of these matters, there exists the possibility of a material adverse impact on the Group's business, reputation, financial condition, cash flows, and results of operations for the period in which the effect becomes reasonably estimable.

The Group received settlement amount of USD 280,000 from OSS Cube LLC wide settlement and mutual release agreement signed on April 15, 2020.

Capital Expenditures

Our capital expenditures include expenditures on property, plant and equipment, intangible assets and right-of-use assets. Property, plant and equipment include computer systems, office equipment, furniture and fixtures and leasehold improvements. Intangible assets include goodwill, trademark, customer relationships, non-compete and computer software. Right-of-use assets include computer systems, buildings and motor vehicles. The following table sets out the capital expenditures (addition to property, plant and equipment, intangible assets and right-of-use assets) including those arising from acquisition of business of subsidiary for the periods indicated:

(in ₹ lacs)

	March 31, 2021	March 31, 2020
Property, plant and equipment		
Computer systems	44	23
Office equipment	18	17
Furniture and fixtures	2	3
Leasehold improvements	-	3
Intangible assets		
Goodwill	7,020	-
Trademark	88	-
Non-compete	51	-
Customer relationships	2,612	-
Exclusive license	94	-
Computer software	263	-
Right-of-use assets		
Computer systems	609	663
Buildings	466	43
Motor vehicles	-	-

We expect to meet our working capital, capital expenditures and investment requirements for the next 12 months primarily from revenues from operating activities, bank borrowings, as well as the proceeds from this Offer.

Our actual capital expenditures may differ from the amount set out above due to various factors, including our future cash flows, results of operations and financial condition, changes in the local economy in India, defects or cost overrun, delays in obtaining or receipt of governmental approval, changes in the legislative and regulatory environment and other factors that are beyond our control.

Qualitative Disclosure about Market Risks

Market risk is attributable to all market-sensitive financial instruments, including foreign currency receivables and payables. The value of a financing instrument may change as a result of changes in interest rates, foreign currency exchange rates, commodity, prices, equity prices and other market changes that affect market risk sensitive instruments. Our exposure to market risk is a function of our revenue generating activities and any future borrowing activities in foreign currencies. The objective of market risk management is to avoid excessive exposure of our earnings and equity to loss.

Credit risk

We are exposed to credit risk related to monies owned to us by our customers. If our customers do not pay us promptly, or at all, we may have to make provisions for, or write-off, such amounts. As of March 31, 2021 and March 31, 2020, our net trade receivables (carried at amortized cost) were ₹ 12,192 lacs and ₹ 11,487 lacs, respectively. Our average debtor cycle was 85 days and 83 days Fiscals 2021 and 2020, respectively.

Interest rate risk

As at March 31, 2021, we are not exposed to market risk with respect to changes in interest rates since all our financial assets or liabilities are either non-interest bearing or are at fixed interest rate.

Exchange rate risk

Although our Company's reporting currency is in INR, we transact a significant portion of our business in other currencies, primarily USD. A significant portion of our revenue from contracts with customers in Fiscals 2021 and 2020, respectively, were derived from sales outside India. Substantially, all of our non-Indian sales income is denominated in foreign currencies, primarily in USD. Most of our foreign currency exposure is mitigated by maintaining balances in the EEFC account in USD / Euro/ GBP which is used for making foreign payments without currency conversion and by executing foreign exchange forward contracts.

Therefore, our exchange rate risk primarily arises from our foreign currency revenues, cost and other foreign currency assets and liabilities to the extent that there is no natural hedge.

Reservations, Qualifications and Adverse Remarks

There are no reservations, qualifications and adverse remarks by our statutory auditor for the previous three Fiscals.