

Management Discussion and Analysis of Financial Condition and Results of Operations

Overview

Positioned as a “Born Digital . Born Agile” Company, we deliver services around next-generation technologies which help our customers deliver a seamless digital experience to their own customers and clients. Our service offerings can be categorized as being in the areas of Analytics, Artificial Intelligence, Automation, Cloud, Digital Infrastructure Management, Internet of Things, Security, Software product engineering etc. Our capabilities in the above and adjacent areas help us cover the entire spectrum of technology services referred to as "Digital Services". During this past year, almost 97% of revenues that we generated were from delivering the above digital services and almost 93% of them were by adopting the agile methodology of software development. Our mission of having "Happiest Customers" has made sure that we inculcate practices that are robust, customer-centric and aims to fulfil their tactical and strategic business needs through futuristic and transformative digital solutions.

To retain our edge in our technology capabilities, we are committed to remaining at the forefront of emerging technology trends, including areas such as Blockchain, AR/VR, Drones & Robotics, etc.

As of March 31, 2022, we had 206 its active customers and our volume of repeat business (revenue during the year 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.

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 seamless delivery of services to our customers.

Our mission 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 an outcome of our mindful approach. In the Great Place to Work® 2021 survey, we were ranked among Asia’s Top 100 Best Workplaces, India’s Top 25 best Companies to work, Top 50 best Companies to work for Women, India’s Top 15 best Workplaces in Health and Wellness and India’s Top 25 best workplaces in IT & IT- BPM 2021. We have also received the Great Place to Work® Certification. As of March 31, 2022, we had a Glassdoor rating of 4.4 on a scale of ‘1- 5’, 2nd amongst Indian IT services companies.

During the year, the Company won many prestigious awards a few of them being:

- The “Golden Peacock Business Excellence Award” instituted by the Institute of Directors for best management practices for accelerating organizational improvement.
- The “Most Outstanding Company in India under Small / Mid-Caps” and “Most Outstanding IPO in India” by Asiamoney which was done through a poll from amongst the financial community to identify Asia’s Outstanding Companies of 2021
- Platinum and Gold awards for the Company’s Annual Report of 2021 instituted by the League of American Communication Professionals. The award aims to facilitate discussion on best-in-class practices observed in the communications domain and recognizing those who demonstrate exemplary communications capabilities. Happiest Minds' Annual reports won top scores across the evaluation parameters of overall narrative, visual design, creativity, message clarity and perceived relevance; scoring 99 out of 100. The company's win is among an elite group of the who's who of global Fortune companies.

Our business is divided into 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' IT applications and infrastructure. We provide continuous support and managed security services for mid-sized enterprises and technology companies. We specialize in automation of IT operations using the DevSecOps model. We also run Network & Security Operations centers to manage our client's infrastructure and data centers. We make sure that our customers infrastructure is safe, secure, efficient, and productive. Our security offerings include cyber and infrastructure security, governance, risk & compliance, data privacy & security, Identity and Access Management, threat and vulnerability management.

Our business units are supported by the following 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 Fiscal 2022, revenues from IoT offerings were 8.6%.
- **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 Fiscal 2022 revenues from analytics/AI were 12.1%.
- **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 2021 and Fiscals 2022 revenues from DPA were 25.2% and 25.4%, respectively.

In Fiscals 2021 and 2022, our total income was ₹ 79,765 lacs and ₹ 1,13,075 lacs, respectively, our EBITDA was ₹ 21,525 lacs and ₹ 29,477 lacs, respectively and our profit for the Fiscal 2021 and 2022 was ₹ 16,246 lacs and ₹ 18,120 lacs, respectively. This represents a CAGR for total income of 41.4% and a CAGR for EBITDA of 36.6% between Fiscal 2021 and Fiscal 2022.

Significant Factors Affecting our Results of Operations

The following is a discussion of certain factors that 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 173 and 206 as of March 31, 2021 and 2022, 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, robust 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. We have made, and plan to continue to make, investments to enhance the expertise of our sales and marketing organization within our business verticals of focus namely Edutech, HiTech, BFSI, Industrial/Manufacturing, and Retail.

We go deeper into our customers through our cross-selling and upselling of services. Our wide spectrum of service offerings, philosophy of account growth through a 'land and expand strategy' makes this possible. Our ability to increase sales to existing customers depend on a number of factors, including the size of our sales force, professional services teams, customers' satisfaction with our services, economic conditions and our customers spend budgets. We believe that our ability to establish and strengthen customer relationships and expand the scope of our services remain an important factor growth and ability to generate profits.

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, 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 can anticipate and respond to our customers' requirements on a timely and cost-efficient manner, we could expect to receive repeat business from existing customers. Further, leveraging on our present portfolio of customers and gathering expertise in the verticals they operate in, we aim to acquire new customers. This ability to acquire, retain and deploy knowledge basis existing customer relationships is critical to our business growth and expansion. Any weakness in this process can adversely affect our business and consequently the financial statement.

Our continued growth in the United States market

The US market has historically been our largest market. In Fiscals 2021 and 2022, our external customers located in the United States contributed 73.4% and 66.4% of our revenue from operations, respectively.

Though we have managed to reduce the dependence in the Fiscal 2022, the United States continues to be the geo which has shown the most robust demand for digital services and will continue to be the geography of focus for us. Our continued business growth and financial performance will depend on our ability to continue to grow our customer base in the United States. Concentration of our revenues from operations from this geography heightens our exposure to any adverse developments which amongst others may be economic, political, regulatory and/or other changes. Any such adverse development could 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 margins and profitability. Hourly rates vary by complexity of the project and the mix of staffing deployed on the project. Margins on our services are 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 margin assignments. The ability to price our offerings competitively while balancing the cost elements so as to maximize profit margins while delivering tangible value to our customers is critical to the continued success of the Company.

Continued Relationships with alliance partners

Over the years, we have developed strong relationships with several independent software companies which are 'Alliances'. We intend to deepen these relationships by building deep capabilities on products and solutions of these partners. Our ability to continue offer services around such products is dependent on our continued relationships with such partners. We believe that our long-standing relationship with such companies has led to knowledge transfer thereby enabling us to improve and develop our in-house service capabilities around these products. Good relationships with our alliance partners are key as they not only refer customers to us, they also help us build capabilities and stay abreast of advancements made by them on their products. Thus any disruption in these business and alliance relationships can have an adverse effect on our business.

Recruitment, Retention and Management of IT Professionals

Our ability to recruit, train, retain and deploy our workforce of IT professionals influences our profit margins and results of our operations. We ended March 31, 2022 with a headcount of 3,823 IT professionals. This number was 2,948 as at March 31, 2021. Attrition of IT Professionals showed an increasing trend during the year. Business growth requires us to ramp our head count at the same time. Balancing these factors of recruitment and attritions requires quite a bit of fine balancing and planning. If we recruit too many, utilization will drop leading to margin erosion and if we recruit too late, we lose revenues. Attrition and its costs to business

are very clear. Thus, our success largely depends on our ability to attract, train and retain our Happiest Minds, in particular our highly skilled engineering and IT professionals.

Our employee costs consist 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.

Training is an imperative and a key cost element. Ability to train our people on the right technology, invest in them ahead of time is very important element to manage their deployment into projects and also motivate them to stay engaged.

All the above aspects of people and its correct management is critical to the continues success of the Company.

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 GST (Goods and Services Tax), 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	3-4 years
Trade mark	2-3 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.

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, 2022	March 31, 2021
Sale of services	1,09,314	77,306
Sale of licenses	51	35
Revenue from contracts with customers	1,09,365	77,341

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

Infrastructure Management and Security Services (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 Services (DBS) 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 (PES) 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)	
Business Unit	March 31, 2022	March 31, 2021
Infrastructure Management & Security Services	24,168	16,421
Digital Business Services	32,887	21,288
Product Engineering Services	52,310	39,632
Total revenue from contract with customers	1,09,365	77,341

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 (vi) Insurance claim.

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, 2022	March 31, 2021
Salaries, wages and bonus	57,598	41,522
Contribution to provident fund	2,839	2,087
Employee stock compensation expense	300	297
Gratuity expense	518	409
Compensated absences	607	689
Staff welfare expenses	138	234
Total employee benefits expense	62,000	45,238

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) other borrowing costs

Other expenses

Our other expenses primarily comprise of (i) subcontractor charges, (ii) software license cost, (iii) Impairment loss allowance on trade receivables, (iv) travelling and conveyance and (v) Recruitment charges

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

	(in ₹ lacs)	
	March 31, 2022	March 31, 2021
Power and fuel	204	184
Subcontractor charges	14,056	7,455
Repairs and maintenance		
- Buildings	107	101
- Equipment	24	27
- Others	246	209
Rent expenses	284	166
Advertising and business promotion expenses	282	101
Commission	99	174
Communication costs	278	257
Insurance	48	46
Legal and professional fees	540	273
Software license cost	2,429	1,788
Rates and taxes	96	69
Recruitment charges	916	360
Impairment loss allowance on trade receivables	101	980
Impairment loss allowance on unbilled revenue	88	41
Sitting fees to non-executive directors	54	56
Commission to non-executive directors	26	24
Corporate social responsibility ('CSR') expenditure	215	75
Travelling and conveyance	893	427
Postage and Courier	94	25
Training Expense	248	120
Miscellaneous expenses	270	54
	21,598	13,002

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 Fair valuation loss on contingent consideration. Contingent consideration was valued during quarter one of fiscal 2022. As a result of which there was increase in liability and it was accounted as fair valuation loss in profit and loss account and shown under exceptional items.

Results of Operations

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

	March 31, 2022		March 31, 2021	
	(₹ lacs)	(%)	(₹ lacs)	(%)
Income				
Revenue from contract with customers	1,09,365	97%	77,341	97%
Other income	3,710	3%	2,424	3%
Total income	1,13,075	100%	79,765	100%
Expenses				
Employee benefits expense	62,000	55%	45,238	57%
Depreciation and amortization	3,288	3%	2,274	3%
Finance cost	995	1%	649	1%
Other expenses	21,598	19%	13,002	16%
Total expenses	87,881	78%	61,163	77%
Profit/(loss) before exceptional items and tax	25,194	22%	18,602	23%
Exceptional items – Fair valuation loss on contingent consideration	609	1%	-	-
Profit/(loss) before tax	24,585	22%	18,602	23%
Current tax	6,266	5%	3,527	4%
Adjustment of tax relating to earlier periods	44	0.5%	-	-
Deferred tax change/(credit)	155	0.5%	(1,171)	(1)%
Profit/(loss) for the year	18,120	16%	16,246	20%
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	202	0.2%	22	0.03%
Net movement on effective portion of cash flow hedges	(316)	(0.3%)	1,236	2%
Income tax effect	80	0.1%	(127)	(0.16)%
Net other comprehensive income / (loss) to be reclassified to profit or loss in subsequent periods	(34)	(0.1%)	1,131	1%
Other comprehensive income not to be reclassified to profit or loss in subsequent period				
Re-measurement gains/(losses) on defined benefit plans	(97)	(0.1%)	(144)	(0.18)%
Income tax effect	24	0.0%	36	0.05%
Net other comprehensive income / (loss) not to be reclassified to profit or loss in subsequent periods	(73)	(0.1%)	(108)	(0.14)%
Other comprehensive income / (loss) for the year, net of tax	(107)	(0.1%)	1,023	1%
Profit for the year	18,013	16%	17,269	22%
Attributable to:				
Owners of the Company	18,120	16%	16,246	20%
Non-controlling interest	-	-	-	-

	March 31, 2022		March 31, 2021	
	(₹ lacs)	(%)	(₹ lacs)	(%)
Total comprehensive income / (loss) for the year				
Attributable to:				
Owners of the Company	18,013	16%	17,269	22%
Non-controlling interest	-	-	-	-
Earnings per equity share				
Basic, computed on the basis of profit for the year attributable to equity holders of the parent	12.84		11.75	
Diluted, computed on the basis of profit for the year attributable to equity holders of the parent	12.55		11.45	

Fiscal 2022 Compared to Fiscal 2021

Income

Our total income increased by 41.8% to ₹ 1,13,075 lacs in Fiscal 2022 from ₹ 79,765 lacs in Fiscal 2021, 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 41.4% to ₹ 1,09,365 lacs in Fiscal 2022 from ₹ 77,341 lacs in Fiscal 2021, primarily due to an increase in the volume of projects executed by us on account of higher utilization of our increased workforce and due to billing at higher rates.

Infrastructure Management & Security Services: Our revenue from Infrastructure Management & Security Services increased by 47.2% to ₹ 24,168 lacs in Fiscal 2022 from ₹ 16,421 lacs in Fiscal 2021, primarily due to an increase in the number of projects executed by us.

Digital Business Services: Our revenue from Digital Business Services increased by 54.5% to ₹ 32,887 lacs in Fiscal 2022 from ₹ 21,288 lacs in Fiscal 2021. Our growth in Digital Business Services 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 32.0% to ₹ 52,310 lacs in Fiscal 2022 from ₹ 39,631 lacs in Fiscal 2021, primarily due to an increase in the number of projects executed by us.

Other income

Our other income increased by 53.1% to ₹ 3,710 lacs in Fiscal 2022 from ₹ 2,424 lacs in Fiscal 2021, primarily due to increases in (i) Exchange gain, (ii) gain on sale of investment measured at fair value through profit and loss (iii) Rent concession availed from lessor and (iv) Insurance claim from settlement of legal case with ex-employee.

Expenses

Our total expenses increased by 43.7% to ₹ 87,881 lacs in Fiscal 2022 from ₹ 61,163 lacs in Fiscal 2021, primarily due increase in employee benefit expenses, sub-contractors cost, software license cost and recruitment charges.

Employee benefits expense

Our employee benefits expense increased by 37.1% to ₹ 62,000 lacs in Fiscal 2022 from ₹ 45,238 lacs in Fiscal 2021, primarily due to increase in overall headcount and pay hikes given to employees during the year.

Depreciation and amortization

Our depreciation and amortization increased by 44.6% to ₹ 3,288 lacs in Fiscal 2022 from ₹ 2,274 lacs in Fiscal 2021. 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 increased by 53.3% to ₹ 995 lacs in Fiscal 2022 from ₹ 649 lacs in Fiscal 2021, primarily due to increase in interest expense on lease liabilities.

Other expenses

Our other expenses increased by 66.1% to ₹ 21,598 lacs in Fiscal 2022 from ₹ 13,002 lacs in Fiscal 2021, primarily due to increase in (i) Sub-contractors cost (ii) software license cost (iii) recruitment charges (iv) travelling expenses.

Profit before exceptional items and tax

As a result of the foregoing, our profit before exceptional items and tax increased by 35.4% to ₹ 25,194 lacs in Fiscal 2022 from ₹ 18,602 lacs in Fiscal 2021.

Exceptional Item

The Group had acquired 100% voting interest in Happiest Minds Inc. (erstwhile PGS Inc.) vide definitive agreements signed on January 27, 2021, for a total recorded consideration of US \$ 13.31 Mn (₹ 9,720 Lacs), comprising cash consideration of US \$ 8.25 Mn (₹ 6,025 Lacs) and fair-valued contingent consideration in the form of warrants of US \$ 5.06 Mn (₹ 3,696 Lacs) payable over the next 3 years. The contingent consideration was classified as a financial liability within the scope of Ind AS 109 'Financial Instruments' and was measured at fair value. Ind AS 109 mandates that any subsequent changes in such fair value will have to be recognized in the statement of profit and loss. The Group carried out a fair valuation during the year ended March 31, 2022 and there was increase in the liability basis increasing expectation of payout. The said increase amounting to ₹ 609 Lacs has been recognised in the statement of profit and loss and disclosed as 'Exceptional Item'.

Profit before tax

As a result of the foregoing, our profit before tax increased 32.2% to ₹ 24,585 lacs in Fiscal 2022 from ₹ 18,602 lacs in Fiscal 2021.

Tax expenses

Our total tax expense increased by 174.4% to ₹ 6,465 lacs in Fiscal 2022 from ₹ 2,356 lacs in Fiscal 2021 primarily due to increase in taxable income.

Profit for the year

Due to the factors discussed above, our profit / (loss) for the year increased by 11.5% to ₹ 18,120 lacs in Fiscal 2022 from ₹ 16,246 lacs in Fiscal 2021.

Liquidity and Capital Resources

Our primary sources of liquidity have historically been cash generated from operations and short term borrowings from banks. We expect that cash generated from operations and short term borrowings from banks will continue to be our primary sources of liquidity. We believe that after taking into account cash generated from 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 2022.

Cash flows

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

	(in ₹ lacs)	
	March 31, 2022	March 31, 2021
Net cash flows from operating activities	16,812	14,317
Net cash flows used in investing activities	(9,608)	(28,363)
Net cash flows from/(used) in financing activities	(9,078)	16,984
Cash and cash equivalents at the beginning of the year	8,583	4,353
Cash and cash equivalents at the end of the year	6,729	8,583

Operating Activities

Fiscal 2022

Our net cash flows from operating activities was ₹ 16,812 lacs in Fiscal 2022. Our operating cash flow before working capital changes was ₹ 27,656 lacs in Fiscal 2022, which was primarily adjusted by depreciation/amortisation of property, plant and equipment, intangibles and right-of-use assets of ₹ 3,288 lacs, Fair value loss on contingent consideration of ₹ 609 lacs and finance cost of ₹ 995 lacs, partially offset by Gain on sale of investment carried at fair value through profit and loss ₹ 1,377 lacs, interest income of ₹ 636 lacs and rent concession of ₹ 323 lacs. Our movements in working capital primarily consisted of an decrease in trade receivables of ₹ 4,526 lacs, increase in trade payables of ₹ 1,489 lacs, decrease in contract liabilities of ₹ 660 lacs and an increase in non-financial liabilities of ₹ 496.

Fiscal 2021

Our net cash flows from operating activities was ₹ 14,317 lacs. Our operating cash flow before working capital changes was ₹ 20,832 lacs, which was primarily adjusted by depreciation/amortisation of property, plant and equipment, intangibles and right-of-use assets of ₹ 2,274 lacs, impairment of financial asset of ₹ 1,021 lacs and finance cost of ₹ 649 lacs, partially offset by gain on investment carried at fair value through profit and loss of ₹ 671 lacs and interest income of ₹ 838 lacs. Our movements in working capital primarily consisted of an increase in financial liabilities of ₹ 1,109 lacs, a increase in provisions of ₹ 516 lacs, decrease in financial liabilities of ₹ 1,684 lacs, Increase in financial assets by ₹ 1,429 lacs and an decrease in trade payables of ₹ 644 lacs.

Investing Activities

Fiscal 2022

Net cash flows used in investing activities was ₹ 9,608 lacs. This was primarily due to Investment in equity shares of TECH4TH Solutions Inc of ₹762 lacs, net investment in mutual fund of ₹ 5,507 and investment in fixed deposit of ₹ 3,020 lacs.

Fiscal 2021

Net cash flows used in investing activities was ₹ 28,363 lacs. This was primarily due to net investment in mutual funds of ₹ 29,956 lacs and investment in subsidiary Happiest Minds Inc., (formerly PGS Inc.,) of ₹ 6,025, partially offset by maturity of fixed deposit of ₹ 6,931 lacs.

Financing Activities

Fiscal 2022

Net cash used for financing activities was ₹ 9,078 lacs. This was primarily due to payment of dividend of ₹ 6,830 lacs, payment of lease liability amounting to ₹ 2,189 lacs, payment of contingent consideration of ₹ 1,861 lacs, which was partially offset by net proceeds from borrowings of ₹ 1,959.

Fiscal 2021

Net cash flows from financing activities was ₹ 16,984 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 ₹ 8,938 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.

Borrowings

As of March 31, 2022, we had total outstanding borrowings (excluding current maturities of borrowings) of ₹ 16,995 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).

As of March 31, 2022, the average effective interest rates of our current borrowings and non-current borrowings were 1.45% and 3.20%, respectively.

The following table sets out borrowings as of March 31, 2022.

	(in ₹ lacs)
	March 31, 2022
Non-current	
Secured	
Foreign currency term loan from bank	3,793
Less: Current maturity of term loans	(2,069)
Total non-current borrowings	1,724
Current	
Secured	
Loans repayable on demand from banks	
Foreign currency loan (PCFC)	15,271
Total current borrowings	16,995

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 and amending constitutional documents.

Contractual Obligations and Commitments

The following table sets forth information regarding our contractual obligations and commitments as of March 31, 2022.

	(in ₹ lacs)			
	Total	Payment due by period		
		Less than one year	Between one and five years	Later than five years
(in ₹ lacs)				
Lease liabilities (carried at amortized cost)	7,033	2,264	4,769	
Trade Payables (carried at amortized cost)				
Total outstanding dues of micro enterprises and small enterprises	79	79	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises	5,993	5,959	34	-
Capital commitments towards purchase of capital assets	638	638	-	-

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 31, 2022 we did not have any off-balance sheet arrangements.

Other claims against the Group not provided for in books

- a) Compounding and Settlement Applications filed by the Parent Company:

A compounding application had been filed by the Company before the National Company Law Tribunal (NCLT) and Registrar of Companies, Bombay ("RoC"), in relation to allotments of Equity Shares made by the Company during year ended March 31, 2013 and 2014 under ESOP Scheme 2011 and ESOP Scheme 2011 USA, where certain allotments were made in contravention of Section 67(3) of the Companies Act, 1956.

The Board, vide a resolution passed at its meeting held on August 4, 2020 voluntarily decided to provide an exit offer to the shareholders. Upon completion of the exit offer, the Company had filed a compounding application with the RoC (which will be forwarded to the National Company Law Tribunal, Bengaluru bench upon approval) and a settlement application with SEBI.

The matter has been closed by ROC bangalore vide letter dated February 1, 2022 citing no contravention of Section 67(3).

- b) With respect to the License Agreement entered in June 2018 between the Company and a customer, for providing software services, the customer terminated the agreement claiming non-satisfactory delivery of services and damages of ₹ 623 Lacs. The customer has also initiated arbitration proceedings which the Parent Company is currently contesting and is of the view that the claim is not tenable and accordingly no adjustments are made in the financial statements.
- c) There are numerous interpretative issues relating to the Supreme Court (SC) judgement on PF dated February 28, 2019. As a matter of caution, the Group has taken cognizance of the matter on a prospective basis from the date of the SC order. The Group will update its provision, if any, required, on receiving further clarity on the subject.
- d) 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 unfavourable 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.

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, 2022	March 31, 2021
Property, plant and equipment		
Computer systems	45	44
Office equipment	11	18
Furniture and fixtures	-	2
Leasehold improvements	11	-
Intangible assets		
Goodwill	-	7020
Trademark	-	88
Non-compete	-	51
Customer relationships	-	2,612
Exclusive license	-	94
Computer software	311	263
Right-of-use assets		
Computer systems	1,495	609
Buildings	3,992	466
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, 2022 and March 31, 2021, our net trade receivables (carried at amortized cost) were ₹ 16,738 lacs and ₹ 12,192 lacs, respectively. As of March 31, 2022 and March 31, 2021, our net unbilled receivables/ Contract assets were ₹ 10,664 lacs and ₹ 5,841 lacs respectively. Our average debtor cycle was 90 days (billed receivables-55 days & unbilled receivables-35 days) and 85 days (billed receivables-57 days & unbilled receivables-28 days) Fiscals 2022 and 2021, respectively.

Interest rate risk

As at March 31, 2022, 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 ₹, 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 2022 and 2021, 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.