



ANNUAL REPORT 2019



Contents

| | |
|----------|--|
| 1 | CORPORATE INFORMATION |
| 2 | DIRECTORS' REPORT |
| 3 | AUDITORS' REPORT – STANDALONE |
| 4 | FINANCIAL STATEMENTS - STANDALONE |
| 5 | AUDITORS' REPORT – CONSOLIDATED |
| 6 | FINANCIAL STATEMENTS - CONSOLIDATED |

CORPORATE INFORMATION

BOARD OF DIRECTORS

MR. ASHOK SOOTA (DIN: 00145962)
Executive Chairman & Director

MR. AVNEET SINGH KOCHAR (DIN: 02415196)
Director

MR. GIRISH S PARANJPE (DIN: 02172725)
Director

MR. VENKATRAMAN N (DIN: 01856347)
Whole-time Director & CFO

STATUTORY AUDITORS

M/s. S.R. BATLIBOI & ASSOCIATES LLP
Chartered Accountants
12th & 13th Floor, "UB City", Canberra Block, No.24, Vittal Mallya Road,
Bangalore-560001, Karnataka, India

REGISTERED OFFICE

#53/1-4, Hosur Main Road, Madivala (Next to Madivala Police Station),
Bangalore-560068, Karnataka, India

CIN: U72900KA2011PTC057931



+91-80-6196 0300



business@happiestminds.com



www.happiestminds.com

Happiest Minds Technologies Private Limited

(“Company or Happiest Minds”)

Director’s Report
Dear Members,

Your Directors take pleasure in presenting the Eighth Annual Report on the business and operations of your Company together with the Audited Statement of Accounts and the Auditors Report for the financial year ended March 31, 2019.

Financial Performance
Amount in Rs. Lacs

| Description | Standalone | | Consolidated | |
|--|-------------------|-------------------|-------------------|-------------------|
| | March 31, 2019 | March 31, 2018 | March 31, 2019 | March 31, 2018 |
| Total Income | 59,980 | 46,023 | 59,980 | 48,433 |
| Profit / (Loss) Before Interest, Depreciation & Tax and exceptional items | 5,658 | (29) | 4,846 | (683) |
| Exceptional items – Impairment of Goodwill and Diminution in value of investment in subsidiary | 3,101 | - | 1,747 | - |
| Interest, Depreciation & Amortization | 1,271 | 1,279 | 1,272 | 1,293 |
| Profit / (Loss) before Tax | 1,286 | (1,308) | 1,827 | (1,976) |
| Tax expense | - | - | - | - |
| Profit / (Loss) after Tax | 1,286 | (1,308) | 1,827 | (1,976) |

Note: Previous year’s figures have been regrouped / reclassified wherever necessary to correspond with the current year’s classification / disclosure.

Business Performance

Your Company operates three business units – Digital Business Services (“DBS”), Infrastructure Management and Security Services (“IMSS”) and Product Engineering Services (“PES”). Your Company through these business units enables digital transformation for enterprises and technology providers by delivering seamless customer experience, business efficiency and actionable insights through an integrated set of disruptive technologies: big data analytics, AI & cognitive computing, Internet of Things, mobility, cloud, security, unified communications, SDN-NFV, RPA, blockchain, etc. Your Company offers domain-centric solutions applying skills, IPs and functional expertise in IT services, product engineering, infrastructure management and security. These services have applicability across industry sectors such as retail, consumer packaged goods, edutech, e-commerce, banking, insurance, hi-tech, engineering R&D, manufacturing, automotive and travel/transportation/hospitality.

During the year your Company reported operating revenue of Rs. 59,558 Lacs signifying growth of 27%. Revenue increased due to better tractions from all the 3 BUs, improved utilization as well as weakening of INR against major currencies, especially USD. Your Company reported operating profit of Rs. 3,574 Lacs prior to exceptional items. During the year Company had impaired goodwill to the extent of Rs.761 Lacs and impairment of goodwill on consolidation of Rs.986 Lacs. Profit post exceptional items was Rs. 1,827 Lacs as against loss of Rs.1,976 Lacs during previous year. Increase in profit is result of revenue growth, improved utilization and steps taken by management for cost optimisation. People cost was 74% of total revenue during the year as against 84% during previous year.

Split of operational revenues between the 3 BU's was DBS –31%, IMSS – 22% and PES – 47%. During the year under report, your Company added 47 (gross) new customers across geographies and serviced about 30 Fortune Global 2000 names. At the end of the year, your Company had 17 customers with more million-dollar revenue, of which 3 are above 5 million-dollar. In terms of geographical split of revenues, America at about 75% continues to be your Company's key market followed by UK/Europe at 9%, India at 13% and the Rest of the World at 3%.

Recognition

We are happy to inform that the Company has received following recognitions during the year under review:

- Happiest Minds was recognized in the IAOP 2019 Best of Global Outsourcing 100 List
- The Company was recognized as a Hot 50 Bengaluru Brand 2019 under the Customer Experience Champion category by Paul Writer
- The Company won 2018 Red Herring Top 100 Global Award
- The Company won Intel Solution Plus Partner Award 2018
- The Company won McAfee Partner Award (Best Regional Partner –Commercial)
- The Company was recognized as “Best Identity and Access Management Solution provider of the year” at CISO Summit 2018.
- In The Economic Times and Great Place to Work® Institute's annual awards 2019, your Company was ranked No.4 amongst IT Services companies and 42 across all industries in the country.

Events subsequent to the date of financial statements

As on the date of this Report, your Directors are not aware of any circumstances not otherwise dealt with in this Report or in the financial statements of your Company, which would render any amount stated in the Accounts of the Company misleading.

In the opinion of the Directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report, which would affect substantially the results, or the operations of your Company for the financial year in respect of which this report is made.

Dividend & Transfer to Reserves

Your Company does not propose to declare dividend for the year under review and accordingly do not propose to transfer any amount to General Reserves.

Changes in Capital Structure

The issued, subscribed and paid-up share capital of the Company increased by Rs.1,22,576/- consequent to issue of 188 14% Series A Non-Cumulative Compulsorily Convertible Preference Share of Rs. 652/- each to a subscriber.

At the Extra-Ordinary General Meeting held on April 16, 2019, pursuant to the provisions of Section 52 read with Section 66 and all other applicable provisions, if any, of the Companies Act, 2013, and subject to the sanction by the National Company Law Tribunal, Bengaluru Bench ("Tribunal"), shareholders have approved writing off the accumulated losses of the Company amounting to Rs.1,722,978,076/- (Rupees One Hundred Seventy-Two Crores Twenty-Nine Lakhs Seventy-Eight Thousand and Seventy-Six only), being the debit balance of the Profit & Loss Account as on March 31, 2018, against the Securities Premium by way of capital reduction. We are in the process of filing application with Tribunal for getting necessary approval.

Subsidiary company

The Company has only one wholly owned subsidiary company viz., Happiest Minds Technologies LLC, USA. The statement pursuant to Section 129(3) of the Companies Act, 2013 in respect of subsidiary company is attached as Annexure V. The Consolidated Accounts of your Company and its subsidiary company duly audited by the Statutory Auditors are presented as part of this Report in accordance with Accounting Standard 21.

The Ministry of Corporate Affairs vide General Circular No. 2/2011 dated 8th February, 2011 has provided an exemption to Companies subject to certain conditions from attaching the audited accounts of subsidiary company. Accordingly, the audited accounts of the above mentioned subsidiary company is not attached and your Company has complied with all the conditions of the aforesaid circular.

The audited accounts of overseas subsidiary have been made available for inspection by any shareholder at the Company's Registered office and at the registered office of overseas subsidiary company. Copies can be made available, on request to the shareholders of the holding and subsidiary company.

Directors and Key Managerial Personnel

Effective November 7, 2018, Intel Capital Corporation (one of the Investors of the Company), has designated Mr. Alok Bajoria to represent it as a non-voting observer at all meetings of the Board of Directors and Board Committees of the Company replacing Mr. Mr. Amit Behl.

Committees of the Board

Mr. Alok Bajoria was made member of Compensation Committee effective January 24, 2019 in place of Mr. Amit Bhel. The details of the powers, functions, composition and meetings of the Committees of the Board held during the year are given in the Report on Corporate Governance section forming part of this Annual Report (attached as Annexure IV).

Board Meetings

During the year, the Meetings of Board of Directors were held on April 25, 2018; June 4, 2018; August 7, 2018; October 29, 2018; and January 24, 2019. The details of the composition and meetings of the Board held during the year are given in the Report on Corporate Governance section forming part of this Annual Report.

Employees Stock Option Plan (ESOP)

During the year under review, your Company registered transfer of 17,36,281 Equity Shares of Rs. 2/- each by the Happiest Minds Technologies Share Ownership Plans Trust to the employees who exercised their options during the year under the ESOP Scheme(s) of the Company.

The additional details of stock options are provided in Note 3(f) of Notes to Financial Statements (Standalone).

Extract of Annual Return

Pursuant to the provisions of the Section 92(3) of the Companies Act, 2013 read with Rule 12(1) of the Companies (Management and Administration) Rules, 2014, the extract of Annual return of the Company for the financial year ended on March 31, 2019 is enclosed as Annexure I to this report.

Software Technology Park

The entire Indian operations of the Company have been registered under the Software Technology Parks of India (STPI) Scheme.

Fixed Deposits

Your Company has not accepted any fixed deposits during the year under review and as such, no amount of principal or interest was outstanding on the date of Balance Sheet.

Loans, Guarantees and Investments

Your Company during the year under review:

- (a) has not provided any loan, guarantee or security in connection with loan to any person or body corporate; or
 - (b) has not acquired by way of subscription, purchase or otherwise, the securities of any other body corporate;
- exceeding sixty percent of its paid up share capital, free reserves and securities premium account or one hundred percent of free reserves or securities premium account, whichever is more.

Related Party Transactions

The details of related party transaction is provided in Note 30 of Notes to Financial Statements (Standalone) and Note 28 of Notes to Financial Statements (Consolidated).

Auditors

The current auditors of the Company Messrs. S.R. Batliboi and Associates LLP, Chartered Accountants LLP will hold office as Statutory Auditors for the period upto the conclusion of tenth Annual General Meeting of the Company.

Corporate Social Responsibility (“CSR”)

The provisions of section 135 of Companies Act, 2013 is not applicable to your Company during year under review.

Nevertheless, your Company conducts business in a sustainable and socially responsible manner. This principle has been an integral part of your Company’s corporate values for the last seven years. Your Company is committed to the safety and health of the employees, protecting the environment and the quality of life in all regions in which your Company operates.

During the year under review, your Company and the Happiest Minds team made voluntary contributions such as donations of money through participation in Daan Utsav Program of over INR 5.5 lakhs and supported Akshaya Patra Foundation through contribution of 1.3 lakh Midday Meals to celebrate the 7th anniversary of the launch of your Company, thereby bringing the total meals donated to Akshayapatra Foundation to 10 lakh meals. On the date

of this report, your Company is further supporting Akshaya Patra Foundation through contribution of 4.3 lakh Midday Meals to celebrate few important milestones achieved for FY 2018-19.

Further, your Company and the Happiest Minds team made voluntary contributions such as donations of money of over INR 9 lakhs towards the Kerala Chief Minister's Distress Relief Fund towards flood relief efforts.

Your Company also organized the second edition of Happiest Minds' Run; the net proceeds of INR 1.5 lakhs was given to Jeevarathni, an organization working to improve the lives of economically and emotionally deprived children, specially abled children and the aged living in poverty and injustice.

Some of the Happiest Minds teams in your Company also contributed their team award monies to charity.

Risk Management

Your Company under the supervision of the Executive Board has established a well-defined framework and procedures on organization wide risk and its management. The framework encompasses significant risk in areas of Information security, operations, delivery and key support functions. Under the framework and procedures, detailed risk management guidelines have been prescribed and implemented covering Risk Identification, Analysis, Response, Tracking, and Management Discussion and Mitigation. Risk registries are maintained by respective functions and project teams. These are centrally reviewed and periodically monitored by compliance and governance teams identified as the owner for the particular area of risk. The CISO, CIO and Engineering and Business Excellence Team (EBE) work together with the Executive Board in achieving the above.

The Executive Board with the assistance of the CISO, CIO and EBE follow a process covering the steps below in identifying areas of risk in the Organization. The process covers:

- Identification of key risk areas
- Assessment of key risks for probability and impact
- Prioritization
- Formulation of response
- Identification of Owners
- Participation by Owners in outlining mitigation plans
- Reporting on adequacy and effectiveness
- Acceptance of residual risk

The Company's risk appetite reflects broader level of risk that the Company can assume and successfully manage and is factored into its strategy at the time of drawing up the long term and the annual business plan.

Significant risks areas which have been identified and are constantly monitored are:

1. Financial Risks:
 - a. Foreign currency fluctuation;
 - b. Customer credit;
 - c. Profitability and sustenance of the business;
 - d. Availability of credit and liquidity management.

2. Business Risks:
 - a. Concentration of revenues;
 - b. New, emerging disruptive technologies and their impact on business, and delivery;
 - c. Shrinking product development cycles.
 - d. Customers insourcing.

3. Operational Risks:
 - a. Data privacy, social media
 - b. Talent availability and timely staffing of projects
 - c. Optimal resource utilization
 - d. Contractual commitments and project delivery challenges
 - e. Business continuity.

4. Legal and Regulatory:
 - a. Compliance with local legislation in the geographies we operate in
 - b. Dynamic and ever changing immigration and travel laws.

5. Projects Delivery related risk
 - a. Related to change meeting timelines, estimated effort
 - b. Quality of deliverables

6. Information Security Risks
 - a. Loss of Happiest Minds or Customer Artifacts, Digital Assets (Code, database etc.,) or IP
 - b. Sharing of PII data without requisite approvals

People Practices

Your Company's People Practice is a corporate team that function across all of its business units and centre of excellence. Your Company has implemented corporate-wide recruitment,

up-skilling, training, performance evaluation, talent review, succession planning and compensation programs that are tailored to address the needs of each of its business units and locations.

During the year under review, your Company launched two key programs, “HappiZest” and “Diversity and Inclusiveness Charter”. HappiZest is a wellness framework that focuses on creating a healthy mind, healthy body, and healthy life through multiple wellness interventions & engagements. The Diversity and Inclusiveness Charter aims to build an inclusive workplace that values the individual and group differences within its workforce and encourages people from different background & perspective coming together in a company, enabling innovation, creativity & collaboration at workplace.

The People Practice continued to develop on their formal Mindfulness training programs under which 1025 Happiest Minds got covered under the mandated Mindfulness training program in the whole year. To assimilate the new hires in the culture of its Company, Happiest Minds, developed a comprehensive Joining day induction program and new hire assimilation program. Your Company also participated in the Great Place to Work (“GPTW”) survey as a formal mechanism to listen to employees’ feedback along with other internal survey like Happiest Minds Pulse and Dipstick Surveys etc. GPTW survey is also an important exercise to benchmark Company’s people practices against industry best practices. As per the results of the GPTW survey, 90% Happiest Minds say your Company is a Great Place To Work and all 15 of people practices are in the Best Cultures Quadrant.

Your Company’s relationship with its people and teams are based on mutual trust and respect and we continue to maintain the same spirit at all times. We continually strive to provide our people with competitive and innovative compensation packages. We work with the industry partners and consultants to benchmark our compensation and benefits programs with leading organizations in the industry. Our compensation packages include a combination of fixed salary, variable pay, stock options, and health insurance.

Quality Management System (QMS)

Your Company’s Quality Policy is *“Happiest Minds will consistently strive for customer happiness. We are committed to deliver excellence in our services by continually improving processes and systems, aiding in creating value to all our stake holders”.*

You Company’s strategy for continual Quality Improvement journey is derived based on the business needs, technology changes, customer feedback, suggestions and process performance.

Your Company’s Quality processes are derived from industry best practices as well as from its own experience, and our processes have been assessed by external accredited agencies. Happiest Minds has received accreditation on international Quality and process models, including ISO 9001:2015. In addition, your Company is certified to Information Security

standards like ISO 27001:2013, which guides our policies and procedures for protecting our own software enablers, as well as clients' software enablers.

Engineering Practices:

Your Company's engineering practices form the crux of successful delivery. At Happiest Minds we emphasize on rolling out engineering best practices to provide value add to our clients. Our engineering practices help Happiest Minds deliver high-quality software to our clients, and consistently earn their trust. We measure the customer satisfaction levels of our clients every year and have seen a significant improvement in the scores, year on year since inception. Industry Proven best practices like Static code Analysis are adopted which helps us to ensure the overall code quality is maintained, fix bugs in the early stage of development, and ensure that programming errors, coding standard violations, security weaknesses are identified early in the life cycle.

Delivery Methodologies:

Your Company's suite of delivery methodologies in the below mentioned areas demonstrates its thought leadership and execution capabilities:

- Embedded system software
- Service delivery lifecycle
- Waterfall model for Software development
- Agile methodologies

Integrated Project Management System:

Our Integrated Project Management system helps the delivery to have an end to end view of the project at all levels of the management to provide enhanced delivery value to our customers.



Internal Control System

Your Company has deployed adequate Internal Control Systems in place to ensure a smooth functioning of its business. The processes and the systems are reviewed constantly and changed to address the changing regulatory and business environment. The Control Systems provide a reasonable assurance of recording the transactions of its operations in all material aspects and of providing protection against misuse or loss of Company's assets. The ERP system which the Company had implemented has helped in further strengthening the internal control systems that are in place.

The existing internal control systems and their adequacy are frequently reviewed and improved upon to meet the changing business environment. The statutory auditors as well as the internal auditors periodically review the internal control systems, policies and procedures for their adequacy, effectiveness and continuous operation for addressing risk management and mitigation strategies.

Conservation of Energy, Research and Development, Foreign Exchange Earnings and Outgo

Your Company has made the necessary disclosures in Annexure II to this Report in terms of Section 134(3) of the Companies Act, 2013 (earlier Section 217(1)(e) of the Companies Act, 1956), read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

Employees' remuneration

In terms of the provisions of Section 134 of the Companies Act, 2013, read with the relevant rules, the names and other particulars of the employees are set out in the Annexure III to the Directors' Report. As per the proviso to Rule 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the particulars of employees posted and working outside India not being directors or their relatives, drawing more than Rs.10.2 million per financial year or Rs 0.85 million per month, as the case may be, need not be included in the statement but, such particulars shall be furnished to the Registrar of Companies, if and when sought for. Accordingly, the statement included in this report does not contain the particulars of employees who are posted and working outside India. If any Member is interested in obtaining a copy thereof, such Member may write to the Company in this regard.

Directors' Responsibility Statement

Pursuant to the requirement under Section 134 (5) of the Companies Act, 2013, with respect to Directors Responsibility Statement, it is hereby confirmed that:

- (i) In the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;

- (ii) Accounting policies have been selected and applied them consistently and made judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2018-2019 and of the profit or loss of the Company for that financial year;
- (iii) Proper and sufficient care have been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) The Annual Accounts have been prepared on a going concern basis.
- (v) Proper systems have been devised to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating efficiently.

Your Directors', have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively.

Secretarial Standards

During the year under review, your Company has duly complied with Secretarial Standard 1 dealing with Meetings of the Board of Directors & Secretarial Standard 2 dealing with General Meetings, as notified by Central Government.

Cost Audit

The provisions of Companies (Cost Records and Audit) Rules, 2014 are not applicable to your Company.

Acknowledgements

Your Directors have pleasure in recording their appreciation for all the guidance and co-operation received from all its customers, investors, vendors and bankers in their continued support of your Company's growth. Your Directors take this opportunity to place on record their sincere appreciation of the dedication and commitment of Happiest Minds at all levels and their continued support and cooperation.

For and on behalf of the Board

Venkatraman N
CFO & Whole-time Director
DIN: 01856347
Bangalore
Dated: July 1, 2019

Ashok Soota
Executive Chairman
DIN: 00145962

| Annexure I to Directors Report | | |
|--|--|---|
| EXTRACT OF ANNUAL RETURN (Form MGT - 9) | | |
| As on financial year ended on 31.03.2019 | | |
| Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company (Management & Administration) Rules, 2014. | | |
| I. REGISTRATION & OTHER DETAILS: | | |
| 1 | CIN | U72900KA2011PTC057931 |
| 2 | Registration Date | 3/30/2011 |
| 3 | Name of the Company | HAPPIEST MINDS TECHNOLOGIES PRIVATE LIMITED |
| 4 | Category/Sub-category of the Company | PRIVATE LIMITED COMPANY |
| 5 | Address of the Registered office & contact details | #53/1-4, HOSUR MAIN ROAD, MADIVALA (NEXT TO MADIVALA POLICE STATION), BANGALORE-560068, KARNATAKA, INDIA. Ph :+91 80 61960300 |
| 6 | Whether listed company | NO |
| 7 | Name, Address & contact details of the Registrar & Transfer Agent, if any. | KARVY COMPUTERSHARE PRIVATE LIMITED, Address: 48, AVENUE 4, STREET NO. 1, BANJARA HILL, HYDERABAD-600 034, Ph : +91 40 23312454 |

| II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY | | | |
|--|--|---|------------------------------------|
| (All the business activities contributing 10 % or more of the total turnover of the company shall be stated) | | | |
| S. No. | Name and Description of main products / services | NIC Code of the Product/service | % to total turnover of the company |
| 1 | Development of Computer Software / IT Enabled Services | 62011, 62012, 62013, 62020, 62091, 62092, 62099 | 100% |

| III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES | | | | | |
|---|---------------------------------|---------|--------------------------------|------------------|--------------------|
| SN | Name and address of the Company | CIN/GLN | Holding/ Subsidiary/ Associate | % of shares held | Applicable Section |
| 1 | Happiest Minds Technologies LLC | NA | Subsidiary | 100% | _ |

IV. SHARE HOLDING PATTERN

(Equity share capital breakup as percentage of total equity)

(i) Category-wise Share Holding

| Category of Shareholders | No. of Shares held at the beginning of the year [As on 31-March-2018] | | | | No. of Shares held at the end of the year [As on 31-March-2019] | | | | % Change during the year |
|-------------------------------|--|-------------------|-------------------|-------------------|--|-------------------|-------------------|-------------------|--------------------------|
| | Demat | Physical | Total | % of Total Shares | Demat | Physical | Total | % of Total Shares | |
| A. Promoters | | | | | | | | | |
| (1) Indian | | | | | | | | | |
| a) Individual/ HUF | 3 | 12,380,336 | 12,380,339 | 33.31% | 2,812,518 | 12,380,336 | 15,192,854 | 40.88% | 7.57% |
| b) Central Govt | - | - | - | 0.00% | - | - | - | 0.00% | 0.00% |
| c) State Govt(s) | - | - | - | 0.00% | - | - | - | 0.00% | 0.00% |
| d) Bodies Corp. | - | - | - | 0.00% | - | - | - | 0.00% | 0.00% |
| e) Banks / FI | - | - | - | 0.00% | - | - | - | 0.00% | 0.00% |
| f) Any other | - | - | - | 0.00% | - | - | - | 0.00% | 0.00% |
| Sub Total (A) (1) | 3 | 12,380,336 | 12,380,339 | 33.31% | 2,812,518 | 12,380,336 | 15,192,854 | 40.88% | 7.57% |
| (2) Foreign | | | | | | | | | |
| a) NRI Individuals | - | - | - | 0.00% | - | - | - | 0.00% | 0.00% |
| b) Other Individuals | - | - | - | 0.00% | - | - | - | 0.00% | 0.00% |
| c) Bodies Corp. | - | - | - | 0.00% | - | - | - | 0.00% | 0.00% |
| d) Any other | - | - | - | 0.00% | - | - | - | 0.00% | 0.00% |
| Sub Total (A) (2) | - | - | - | 0.00% | - | - | - | 0.00% | 0.00% |
| TOTAL (A) | 3 | 12,380,336 | 12,380,339 | 33.31% | 2,812,518 | 12,380,336 | 15,192,854 | 40.88% | 7.57% |
| B. Public Shareholding | | | | | | | | | |
| 1. Institutions | | | | | | | | | |
| a) Mutual Funds | - | - | - | 0.00% | - | - | - | 0.00% | 0.00% |
| b) Banks / FI | - | - | - | 0.00% | - | - | - | 0.00% | 0.00% |
| c) Central Govt | - | - | - | 0.00% | - | - | - | 0.00% | 0.00% |

| | | | | | | | | | |
|--|------------|-----------|------------|--------------|------------|-----------|------------|--------------|--------------|
| d) State Govt(s) | - | - | - | 0.00% | - | - | - | 0.00% | 0.00% |
| e) Venture Capital Funds | - | - | - | 0.00% | - | - | - | 0.00% | 0.00% |
| f) Insurance Companies | - | - | - | 0.00% | - | - | - | 0.00% | 0.00% |
| g) FIs | - | - | - | 0.00% | - | - | - | 0.00% | 0.00% |
| h) Foreign Venture Capital Funds | 163 | - | 163 | 0.00% | 163 | - | 163 | 0.00% | 0.00% |
| i) Others (specify) | - | - | - | 0.00% | - | - | - | 0.00% | 0.00% |
| Sub-total (B)(1):- | 163 | - | 163 | 0.00% | 163 | - | 163 | 0.00% | 0.00% |
| 2. Non-Institutions | | | | | | | | | |
| a) Bodies Corp. | | | | | | | | | |
| i) Indian | - | - | - | 0.00% | - | - | - | 0.00% | 0.00% |
| ii) Overseas | - | 163 | 163 | 0.00% | - | 163 | 163 | 0.00% | 0.00% |
| b) Individuals | | | | | | | | | |
| i) Individual shareholders holding nominal share capital upto Rs. 1 lakh | - | 6,389,179 | 6,389,179 | 17.19% | - | 5,663,935 | 5,663,935 | 15.24% | -1.95% |
| ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh | - | 5,601,062 | 5,601,062 | 15.07% | - | 6,912,687 | 6,912,687 | 18.60% | 3.53% |
| c) Others (specify) | - | 8,083,394 | 8,083,394 | 21.75% | - | 7,331,563 | 7,331,563 | 19.73% | -2.02% |
| Non-Resident Indians | | | | | | | | | |
| Overseas Corporate Bodies | - | - | - | 0.00% | - | - | - | 0.00% | 0.00% |
| Foreign Nationals | - | 4,710,515 | 4,710,515 | 12.67% | - | 2,063,450 | 2,063,450 | 5.55% | -7.12% |
| Clearing Members | - | - | - | 0.00% | - | - | - | 0.00% | 0.00% |
| Trusts | - | - | - | 0.00% | - | - | - | 0.00% | 0.00% |
| Foreign Bodies - D R | - | - | - | 0.00% | - | - | - | 0.00% | 0.00% |

| | | | | | | | | | |
|---|-----|------------|------------|---------|-----------|------------|------------|---------|--------|
| Sub-total (B)(2):- | - | 24,784,313 | 24,784,313 | 67% | - | 21,971,798 | 21,971,798 | 59% | 8.06% |
| Total Public (B) | 163 | 24,784,313 | 24,784,476 | 66.69% | 163 | 21,971,798 | 21,971,961 | 59.12% | -7.57% |
| C. Shares held by Custodian for GDRs & ADRs | | | | 0.00% | | | | 0.00% | 0.00% |
| Grand Total (A+B+C) | 166 | 37,164,649 | 37,164,815 | 100.00% | 2,812,681 | 34,352,134 | 37,164,815 | 100.00% | 0.00% |

(ii) Shareholding of Promoter

| SN | Shareholder's Name | Shareholding at the beginning of the year | | | Shareholding at the end of the year | | | % change in shareholding during the year |
|----|--------------------|---|----------------------------------|--|-------------------------------------|----------------------------------|--|--|
| | | No. of Shares | % of total Shares of the company | % of Shares Pledged/encumbered to total shares | No. of Shares | % of total Shares of the company | % of Shares Pledged / encumbered to total shares | |
| 1 | ASHOK SOOTA | 12,380,339 | 33.31% | 0 | 15,192,854 | 40.88% | 0 | 7.57% |
| | TOTAL | 12,380,339 | 33.31% | | 15,192,854 | 40.88% | 0 | 7.57% |

(iii) Change in Promoters' Shareholding (please specify, if there is no change)

| SN | Particulars | Date | Reason | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|----|------------------------------|------------|--------|---|-------------------|---|-------------------|
| | | | | No. of shares | % of total shares | No. of shares | % of total shares |
| | At the beginning of the year | 4/1/2018 | | 12,380,339 | 33.31% | 12,380,339 | 33.31% |
| | Changes during the year | 29/10/2018 | | 2,812,515 | 7.57% | 2,812,515 | 7.57% |
| | At the end of the year | 3/31/2019 | | 15,192,854 | 40.88% | 15,192,854 | 40.88% |

(iv) Shareholding Pattern of top ten Shareholders
(Other than Directors, Promoters and Holders of GDRs and ADRs):

| SN | For each of the Top 10 shareholders | Date | Reason | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|----|---|---------------------|----------|---|-------------------|---|-------------------|
| | | | | No. of shares | % of total shares | No. of shares | % of total shares |
| 1 | Happiest Minds Technologies Share Ownership Plans Trust | | | | | | |
| | At the beginning of the year | 4/1/2018 | | 8,083,394 | 21.75% | 8,083,394 | 21.75% |
| | Changes during the year | Transfer from Trust | Transfer | (1,736,281) | -4.67% | 6,347,113 | 17.08% |
| | Changes during the year | Transfer to Trust | Transfer | 984,450 | 2.65% | 7,331,563 | 19.73% |
| | At the end of the year | 3/31/2019 | | 7,331,563 | 19.73% | 7,331,563 | 19.73% |
| 2 | Vikram Gulati | | | | | | |
| | At the beginning of the year | 4/1/2018 | | 2,812,515 | 7.57% | 2,812,515 | 7.57% |
| | Changes during the year | | | (2,812,515) | -7.57% | (2,812,515) | -7.57% |
| | At the end of the year | 3/31/2019 | | - | 0.00% | - | 0.00% |
| 3 | Joseph Anantharaju | | | | | | |
| | At the beginning of the year | 4/1/2018 | | 800,000 | 2.15% | 800,000 | 2.15% |
| | Changes during the year | | | 90,000 | 0.24% | 890,000 | 2.39% |
| | At the end of the year | 3/31/2019 | | 890,000 | 2.39% | 890,000 | 2.39% |

| | | | | | | | |
|---|------------------------------|-----------|----------|---------|-------|---------|-------|
| 4 | Aurobinda Nanda | | | | | | |
| | At the beginning of the year | 4/1/2018 | | 580,625 | 1.56% | 580,625 | 1.56% |
| | Changes during the year | | | - | 0.00% | 580,625 | 1.56% |
| | At the end of the year | 3/31/2019 | | 580,625 | 1.56% | 580,625 | 1.56% |
| 5 | Salil Godika | | | | | | |
| | At the beginning of the year | 4/1/2018 | | 506,250 | 1.36% | 506,250 | 1.36% |
| | Changes during the year | | | 70,000 | 0.19% | 576,250 | 1.55% |
| | At the end of the year | 3/31/2019 | | 576,250 | 1.55% | 576,250 | 1.55% |
| 6 | Sashikumar Sreedharan | | | | | | |
| | At the beginning of the year | 4/1/2018 | | 525,000 | 1.41% | 525,000 | 1.41% |
| | Changes during the year | | Transfer | - | 0.00% | - | 0.00% |
| | At the end of the year | 3/31/2019 | | 525,000 | 1.41% | 525,000 | 1.41% |
| 7 | Prasenjit Saha | | | | | | |
| | At the beginning of the year | 4/1/2018 | | 506,250 | 1.36% | 506,250 | 1.36% |
| | Changes during the year | | Transfer | - | 0.00% | 506,250 | 1.36% |
| | At the end of the year | 3/31/2019 | | 506,250 | 1.36% | 506,250 | 1.36% |
| 8 | Puneet Jetli | | | | | | |
| | At the beginning of the year | 4/1/2018 | | 506,250 | 1.36% | 506,250 | 1.36% |
| | Changes during the year | | Transfer | - | 0.00% | 506,250 | 1.36% |

| | | | | | | | |
|----|------------------------------|-----------|----------|---------|-------|---------|--------|
| | At the end of the year | 3/31/2019 | | 506,250 | 1.36% | 506,250 | 1.36% |
| 9 | Chaluvaiya Ramamohan | | | | | | |
| | At the beginning of the year | 4/1/2018 | | 300,000 | 0.81% | 300,000 | 0.81% |
| | Changes during the year | | | 100,000 | 0.27% | 400,000 | 1.08% |
| | At the end of the year | 3/31/2019 | | 400,000 | 1.08% | 400,000 | 1.08% |
| 10 | Dattatri Salgame | | | | | | |
| | At the beginning of the year | 4/1/2018 | | 342,000 | 0.92% | 342,000 | 0.92% |
| | Changes during the year | | Transfer | - | 0.00% | 342,000 | 0.92% |
| | At the end of the year | 3/31/2019 | | 342,000 | 0.92% | 342,000 | 0.92% |
| 11 | Raja Sekher Bolisetty | | | | | | |
| | At the beginning of the year | 4/1/2018 | | 337,500 | 0.93% | 337,500 | 93.00% |
| | Changes during the year | | | - | 0.00% | 337,500 | 0.93% |
| | At the end of the year | 3/31/2019 | | 337,500 | 0.91% | 337,500 | 0.91% |

(v) Shareholding of Directors and Key Managerial Personnel:

| SN | Shareholding of each Directors and each Key Managerial Personnel | Date | Reason | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|----|--|----------|--------|---|-------------------|---|-------------------|
| | | | | No. of shares | % of total shares | No. of shares | % of total shares |
| 1 | ASHOK SOOTA | | | | | | |
| | At the beginning of the year | 4/1/2018 | | 12,380,339 | 33.31% | 12,380,339 | 33.31% |
| | Changes during the | | | 2,812,515 | 7.57% | 15,192,854 | 40.88% |

| | | | | | | | |
|---|--------------------------------|-----------|-------|------------|--------|------------|--------|
| | year | | | | | | |
| | At the end of the year | 3/31/2019 | | 15,192,854 | 40.88% | 15,192,854 | 40.88% |
| | | | | | | | |
| 2 | GIRISH SHRIKRISHNA PARANJPE | | | | | | |
| | At the beginning of the year | 4/1/2018 | | - | 0.00% | - | 0.00% |
| | Changes during the year | | Allot | 80,000 | 0.22% | 80,000 | 0.22% |
| | At the end of the year | 3/31/2019 | | 80,000 | 0.22% | 80,000 | 0.22% |
| | | | | | | | |
| 3 | AVNEET SINGH KOCHAR | | | | | | |
| | At the beginning of the year | 4/1/2018 | | - | 0.00% | - | 0.00% |
| | Changes during the year | | | - | 0.00% | - | 0.00% |
| | At the end of the year | 3/31/2019 | | - | 0.00% | - | 0.00% |
| | | | | | | | |
| 4 | VENKATRAMAN NARAYANAN | | | | | | |
| | At the beginning of the year | 4/1/2018 | | 300,000 | 0.83% | 300,000 | 0.83% |
| | Changes during the year | | | - | 0.00% | 300,000 | 0.83% |
| | At the end of the year | 3/31/2019 | | 300,000 | 0.81% | 300,000 | 0.81% |
| | | | | | | | |
| 5 | PRAVEEN KUMAR DARSHANKAR | | | | | | |
| | At the beginning of the year | 4/1/2018 | | 20,000 | 0.06% | 20,000 | 0.06% |
| | Changes during the year | | | - | 0.00% | 20,000 | 0.06% |

| | | | | | |
|------------------------|-----------|--------|-------|--------|-------|
| At the end of the year | 3/31/2019 | 20,000 | 0.05% | 20,000 | 0.05% |
|------------------------|-----------|--------|-------|--------|-------|

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment.

(Amt. in Rs.)

| Particulars | Secured Loans excluding deposits | Unsecured Loans | Deposits | Total Indebtedness |
|--|----------------------------------|-----------------|------------|-----------------------|
| Indebtedness at the beginning of the financial year | | | | |
| i) Principal Amount | 968,705,524.00 | - | - | 968,705,524 |
| ii) Interest due but not paid | - | - | - | - |
| iii) Interest accrued but not due | - | - | - | - |
| Total (i+ii+iii) | 968,705,524.00 | - | - | 968,705,524.00 |
| Change in Indebtedness during the financial year | | | | |
| * Addition | 2,701,730,113 | Nil | Nil | 2,701,730,113 |
| * Reduction | -2,955,417,992 | Nil | Nil | -2,955,417,992 |
| Net Change | | Nil | Nil | - |
| Indebtedness at the end of the financial year | | | | |
| i) Principal Amount | 715,017,645 | Nil | Nil | 715,017,645 |
| ii) Interest due but not paid | Nil | Nil | Nil | Nil |
| iii) Interest accrued but not due | Nil | Nil | Nil | Nil |
| Total (i+ii+iii) | 715,017,645 | Nil | Nil | 715,017,645 |

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

| SN. | Particulars of Remuneration | Name of MD/WTD/ Manager | | Total Amount |
|-----|-----------------------------|-------------------------|-----------------------|--------------|
| | Name | ASHOK SOOTA | VENKATRAMAN NARAYANAN | (Rs) |

| | Designation | WTD(EXECUTIVE CHAIRMAN) | | CFO & WTD | |
|---|---|-------------------------|--|--|-------------------|
| 1 | Gross salary | | | | |
| | (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 | 8,517,479 | | 7,669,338 | 16,186,817 |
| | (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 | - | | | - |
| | (c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961 | - | | | - |
| 2 | Stock Option (No. of options) | - | | 300000 (plus 200000 options granted but yet not exercised) | 600,000 |
| 3 | Sweat Equity | - | | | - |
| 4 | Commission | - | | | - |
| | - as % of profit | - | | | - |
| | - others, specify | - | | | - |
| 5 | Others, please specify(Retiral Benefits) | 288,072 | | 265,638 | 553,710 |
| | Total (A) | 8805551 | | 7934976 | 16,740,527 |
| | Ceiling as per the Act | | | Not Applicable | |

B. Remuneration to other Directors

| SN. | Particulars of Remuneration | Name of Directors | | | Total Amount |
|-----|--|-------------------|---|---|--------------|
| | | | | | (Rs.) |
| 1 | Independent Directors | NOT APPLICABLE | | | |
| | Fee for attending board committee meetings | | | | - |
| | Commission | | | | - |
| | Others, please specify | | | | - |
| | Total (1) | - | - | - | - |

| | | | | | |
|---|--|--|---------------------|---|-------------------|
| 2 | Other Non-Executive Directors | GIRISH SHRIKRISHNA PARANJPE | AVNEET SINGH KOCHAR | - | - |
| | Fee for attending board committee meetings | Rs. 1 Lac per Board/Committee meeting (Total paid: Rs. 12 Lacs) | - | - | 1,200,000.00 |
| | Commission | - | - | - | - |
| | Others, please specify | - | - | - | - |
| | Total (2) | - | - | - | 1,200,000.00 |
| | Total (B)=(1+2) | - | - | - | 1,200,000.00 |
| | Total Managerial Remuneration | | | | 17,940,527 |
| | Overall Ceiling as per the Act | NOT APPLICABLE | | | |

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD

| SN. | Particulars of Remuneration | Name of Key Managerial Personnel | | Total Amount (Rs.) |
|-----|---|--|--|-----------------------|
| | | VENKATRAMAN NARAYANAN | PRAVEEN KUMAR DARSHANKAR | |
| | Name | | | |
| | Designation | Chief Financial Officer | Company Secretary | |
| 1 | Gross salary | | | |
| | (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 | 7,669,338.00 | 3,014,050 | 10,683,388.00 |
| | (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 | | | - |
| | (c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961 | | | - |
| 2 | Stock Option (no. of options) | 300000 (plus 200000 options granted but not yet exercised) | 20000 (plus 18000 options granted but not yet exercised) | 3,20,000 |

| | | | | |
|---|--|--------------|-----------|---------------|
| 3 | Sweat Equity | | | - |
| 4 | Commission | | | - |
| | - as % of profit | | | - |
| | - others, specify | | | - |
| 5 | Others, please specify(Retiral Benefits) | 265,638.00 | 118,260 | 383,898 |
| | Total | 7,934,976.00 | 3,132,310 | 11,067,286.00 |

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

| Type | Section of the Companies Act | Brief Description | Details of Penalty / Punishment/ Compounding fees imposed | Authority [RD / NCLT/ COURT] | Appeal made, if any (give Details) |
|-------------------------------------|------------------------------|-------------------|---|------------------------------|------------------------------------|
| A. COMPANY | | | | | |
| Penalty | | | Nil | | |
| Punishment | | | | | |
| Compounding | | | | | |
| B. DIRECTORS | | | | | |
| Penalty | | | Nil | | |
| Punishment | | | | | |
| Compounding | | | | | |
| C. OTHER OFFICERS IN DEFAULT | | | | | |
| Penalty | | | Nil | | |
| Punishment | | | | | |
| Compounding | | | | | |

Shareholding Pattern (Equity + Preference shares on diluted basis) of the Company as on March 31, 2019

| Name | Relation with the Company | %ge of shareholding |
|---------------------------|----------------------------------|----------------------------|
| Ashok Soota | Promoter (Executive Chairman) | 48.70% |
| CMDB II | Investor (Foreign entity) | 19.43% |
| Intel Capital Corporation | Investor (FVCI) | 14.31% |
| Others | - | 17.56% |
| Total | | 100% |

For and on behalf of the Board

Venkatraman N
CFO & Whole-time Director
DIN: 01856347
Bangalore
Dated: July 1, 2019

Ashok Soota
Executive Chairman
DIN: 00145962

Annexure II to Directors' Report

A. Conservation of Energy

Your Company is in a knowledge intensive industry, and does not operate industrial machinery, production facilities, or other such energy intensive operations. However, as a responsible corporate citizen, it continues to pursue and adopt appropriate energy conservation measures.

Adequate measures have been taken to conserve energy by using energy efficient computers and equipment with latest technologies, which would help in conservation of energy. Some of the steps and practices followed by your Company are as below:

- Optimum usage of Air Conditioners throughout its premises by ensuring that there is no cool air leakage.
- Usage of LCD monitors (energy efficient) in place of normal CRT monitors
- Turning off monitors, when not in use.
- Turning off lights in all floors when employees are not working
- Turning off the air conditioners during non-peak hours and on weekends.
- Usage of treated water to recharge ground water.
- Installation of sun film to dissipate heat
- Usage of LED lights for all its lighting solution

As the cost of energy consumed form a small portion of the total cost, the Company has not utilized alternate sources of energy and has not made any recognizable capital investment on energy conservation equipment.

B. Technology Absorption

Technology Absorption, adaption and innovation

Your Company continues to track trends and latest developments in various technology areas, including those related to mobility, big data analytics, security, cloud computing, IoT, unified communications. Your Company has taken major initiatives and upped its leadership in IoT and Analytics Space. It also actively participates in relevant standards bodies and forums. It has also deepened in partnership with Microsoft for the IoT Azure Implementations and build a large ecosystem of Device players to Support large IoT Projects. Your Company has also deep entered in Education and Software Defined Data Center (including SDN/NFV/SD-WAN) space, which helps increase the knowledge base within your Company, and enhances the ability of your Company to undertake larger and more complex projects which are of higher value. Your Company started to invest in emerging technologies like Robotic Process Automation, AI, Blockchain, Robotics & Augmented Reality. Your Company also undertakes continuous quality improvement programs, training programs, deployment and use of tools and technologies for monitoring projects, etc., to help increase efficiencies and productivity.

Research and Development

i) Specific Areas of Research and Development

During the year under review, your Company focused on building technology in IoT, Mobility, SDN & NFV, Big Data & Analytics, Security and Cloud Technologies that will have a major impact on the global technology landscape with the objective of increasing the sales volumes and improving delivery capability. Your Company started developing capabilities and creating solutions in newer technologies like RPA, AI, Blockchain & Robotics. Your Company has developed IP & Solutions and new services through R&D investment and has built Compliance Vigil, Ellipse – Infrastructure Management, Digital Query Assistant/Chatbot, Digital Content Monetization, Script-less Test Automation solution and UniVu-University Insights Solution.

ii) Benefits derived as a result of the above R&D

Your Company has gained considerable mind share in the industry by venturing into IP led state of the art solutions as mentioned above. These concerted efforts also helped your Company in acquiring new customers in the focus geographies and increased the share of IP-led revenues for the Company.

iii) Future Plan of action

Your Company is continuing to leverage its efforts on SMAC+ technologies including increased efforts on IoT, Big Data and Analytics, SDN/NFV, Security and Customer Experience. Your Company has also decided to strategically add the new disruptive technologies of Robotics Process Automation (RPA), Artificial Intelligence (AI), Blockchain and Robotics

iv) Expenditure on R&D

R&D is carried on by the Company as a part of the ongoing software development activity and expenditure thereof is considered as part of operating expenditure. Total expenses on R&D during 2018-19 was Rs.0.14 Mn.

C. Foreign Exchange Earnings and Outgo

- i. Activities relating to exports, initiatives taken to increase exports, development of new export market for services and export plans

During the year under review, your Company has taken various initiatives to expand its presence into new geographies by engaging consultants and business partners and been successful in building visibility about our services and offering to key clients. Your Company is also continuing to invest in online media and social networking to build its brand visibility.

ii. Foreign exchange used and earned

Amount in Rs. Lacs

| | March 31, 2019 | March 31, 2018 |
|---------------------------|-----------------------|-----------------------|
| Foreign exchange earnings | 52,197 | 38,963 |
| Foreign exchange outgo | 18,155 | 12,214 |

For and on behalf of the Board

Venkatraman N
CFO & Whole-time Director

DIN: 01856347

Bangalore

Dated: July 1, 2019

Ashok Soota
Executive Chairman

DIN: 00145962

Annexure III to Directors' Report

Particulars of employees pursuant to Section 134 of the Companies Act, 2013 read with Companies (Appointment and Remuneration of Managerial Personnel), 2014 and forming part of the Director's Report for the year ended March 31, 2019.

| Name | Designation in the Company | Qualification | Remuneration (INR) | % of equity shares | Experience (Years) | Age | Date of Joining | Nature of Employment | Last Employment |
|----------------------|----------------------------|---------------------|--------------------|--------------------|--------------------|-----|------------------|----------------------|-----------------|
| Chaluvaiya Ramamohan | President -IMSS | Electrical Engineer | 11,550,000 | 1.08% | 30 years | 57 | 11-December-2017 | Permanent | MindTree Ltd |

For and on behalf of the Board

Venkatraman N
CFO & Whole-time Director

DIN: 01856347

Bangalore

Dated: July 1, 2019

Ashok Soota
Executive Chairman

DIN: 00145962

Annexure IV to Directors' Report

Report on Corporate Governance

The guidelines issued on Corporate Governance under Clause 49 of the Listing Agreement do not apply to Happiest Minds at this time, since we are a privately held Company. However, as a matter of good corporate practice, we present this report on the matters covered by the said guidelines applicable to us.

I. Brief Statement on Company's Philosophy on Code of Corporate Governance

Happiest Minds is committed to good Corporate Governance and continuously strives to enhance the shareholder value without compromising on compliance of laws and regulations. We study and adopt best practices in the area even where they are not statutorily required. We are committed to observing the laws of the land in every country in which we operate.

II. Board of Directors

The Board of Directors of Happiest Minds as on March 31, 2019 comprised of 4 Directors, who are professionals in their respective areas of specialization and have held eminent positions. None of the Directors are related to each other.

The composition and category of Directors on the Board of the Company as on March 31, 2019 are:

| Name of the Director | Designation | Category |
|-----------------------------|--------------------|-------------------------------|
| Ashok Soota | Executive Chairman | Promoter Executive Director |
| Avneet Singh Kochar | Director | Non-Executive Director |
| Girish Shrikrishna Paranjpe | Director | Non-Executive Director |
| Venkatraman Narayanan | Director | Executive Whole-time Director |

The guidelines require that at least one of the four Directors be independent where the Chairman is an Executive Chairman. At this time, since there are no external minority shareholders, we feel that the above structure protects the interest of the shareholders.

During the year under review, Mr. Amit Behl/Mr.Alok Bajoria, representing the interest of the Intel Capital Corporation, have been acting as an observer at Board Meetings of the Company. During the financial year 2018-19, five (5) meetings of the Board were held with a time gap of not more than 120 days between any two meetings. The Board Meetings are prescheduled and adequate notice is given to the member. Board Meetings are generally held at the registered office of the Company.

The Board held its meetings on April 25, 2018; June 4, 2018; August 7, 2018; October 29, 2018; and January 24, 2019.

Attendance of Directors at Board and Annual General Meeting held during the year 2018-19:

| Director | Board Meeting entitled to attend | Board Meeting attended | Whether present at AGM held on Aug 7, 2018 |
|-----------------------------|----------------------------------|------------------------|--|
| Ashok Soota | 5 | 5 | Yes |
| Avneet Singh Kochar | 5 | 5 | Yes |
| Girish Shrikrishna Paranjpe | 5 | 5 | Yes |
| Venkatraman N. | 5 | 5 | Yes |

III. Remuneration to Directors:

Details of Remuneration paid to Directors for the Financial Year 2018-19

| Name | Salary & Perquisites (In INR Lacs) | Sitting Fees (In INR Lacs) |
|-----------------------------|------------------------------------|--|
| Avneet Singh Kochar | NIL | Nil |
| Ashok Soota | 88.06 | Nil |
| Girish Shrikrishna Paranjpe | NIL | INR One (1) Lac per meeting of Board/Committee (Total paid: INR 12 Lacs) |
| Venkatraman N. | 79.35 | Nil |

IV. Audit Committee

Terms of Reference

The Audit Committee has interalia the following mandate:

1. To oversee the Company's financial reporting process and disclosure of its financial information to ensure the financial statements are correct, sufficient and credible.
2. To recommend appointment / re-appointment and removal of the Statutory Auditors, fixation of audit fees and also approve payment for other services rendered.
3. To review with the Management, performance of statutory and internal auditors, the adequacy of internal control systems, changes in accounting policies / procedures, major accounting entries based on the exercise of judgment by Management, significant adjustments in the financial statements arising out of audit findings, statutory compliance, qualifications in draft audit report, default in payments to shareholders / creditors, if any.
4. Discussion with statutory / internal auditors on nature and scope of audit, any significant findings / investigations and follow up thereon.
5. To review, with the Management, quarterly and annual financial statements before submission to the Board for approval.
6. To review the Company's financial and risk Management policies.

7. To review statement of significant related party transactions, Management letters / letters of internal control weaknesses and appointment, removal and terms of remuneration of the Internal Auditor.

Composition as on March 31, 2018:

Grish Shrikrishna - Chairman (Non Executive Director)
Paranjpe
Avneet Singh Kochar - Member (Non Executive Director)
Ashok Soota - Member (Promoter Executive Director)

Meetings and attendance during the year 2018-19:

| Members | Meetings held | Meetings Attended |
|-----------------------------|---------------|-------------------|
| Girish Shrikrishna Paranjpe | 4 | 4 |
| Avneet Singh Kochar | 4 | 4 |
| Ashok Soota | 4 | 4 |

V. Grievance Committee

The Grievance Committee facilitates prompt and effective redressal of employee complaints and reporting of the same to the Board periodically.

The Grievance Committee was reconstituted vide resolution passed at Board Meeting held on February 7, 2018.

Composition as on March 31, 2019:

Alok Bajoria - Chairman (Observer from Intel Capital Corporation)
Venkatraman N - Member (Executive, Whole time Director)

Meetings and attendance during the year 2018-19:

There were no meetings held during the year 2018-19 as there were no instances of grievances reported.

VI. Compensation Committee

The Compensation Committee reviews the policy on remuneration packages for Executive Directors and Senior Management, their Service Contracts, Stock Options schemes for employees etc.

Composition:

| | | |
|-----------------------------|---|--|
| Ashok Soota | - | Chairman (Promoter Executive Director) |
| Avneet Singh Kochar | - | Member (Non-Executive Director) |
| Amit Behl/Alok Bajoria | - | Member (Observer from Intel Capital Corporation) |
| Girish Shrikrishna Paranjpe | - | Member (Non Executive Director) |

Meetings and attendance during the year 2018-19

| Members | Meetings held | Meetings Attended |
|-----------------------------|---------------|-------------------|
| Ashok Soota | 3 | 3 |
| Avneet Singh Kochar | 3 | 3 |
| Amit Behl/Alok Bajoria | 3 | 2 |
| Girish Shrikrishna Paranjpe | 3 | 3 |

VII. General Body Meetings

The Annual General Meetings of the Company were held in the registered office of the Company. Details of last three AGMs held are as below:

| Financial Year | Date | Time |
|----------------|----------------|-----------|
| 2015-2016 | July 20, 2016 | 5:00 p.m. |
| 2016-2017 | July 31, 2017 | 5:00 p.m. |
| 2017-2018 | August 7, 2018 | 5:00 p.m. |

All resolutions moved at the Annual General Meetings were passed by show of hands by the requisite majority of members attending the meeting. The following are the special resolutions passed at the previous three Annual General Meetings:

| AGM held on | Summary of Special Resolutions |
|---------------|--|
| July 20, 2016 | <ol style="list-style-type: none">1. Alteration of Article of Association to delete the name of Mr. Vikram Gulati as Promoter.2. Revision in remuneration of Mr. Ashok Soota, Executive Chairman & Director of the Company with effect from 1st April, 2016. |
| July 31, 2017 | <ol style="list-style-type: none">1. Variation in rights of Class B Non Voting Equity Shares2. Reclassification of Authorised Share Capital of the Company3. Alteration of Articles of Association of the Company4. Modification of Employee Share Option and Purchase Plan-2011 and Employee Share Option and Purchase Plan-2015 |

| AGM held on | Summary of Special Resolutions |
|--------------------|--|
| | 5. Modification of 2011 Equity Incentive Plan for US Personnel |
| August 7, 2018 | 1. Appointment of Mr.Venkatraman N as Whole-time Director of the Company |

VIII. Other Disclosures

- There was no change in the nature of the business of the Company during the year.
- There are no Joint ventures and Associate Company during the year under review.
- Your Company did not have any funds lying unpaid or unclaimed for a period of seven years. Therefore there were no funds which were required to be transferred to Investor Education and Protection Fund (IEPF).
- The provisions of the secretarial audit under section 204 of the Companies Act, 2013 is not applicable.
- There were no significant and material orders passed by the Regulators, Courts or Tribunals impacting going concern status and Company's operations in future.

Sexual Harassment Policy

Your Company has always believed in providing a safe and harassment free workplace for every individual working in your Company premises through various interventions and practices. The Company always endeavors to create and provide an environment that is free from discrimination and harassment including sexual harassment. There were no complaints reported under The Sexual Harassment of Women at Workplace (Prevention, Provision and Redressal) Act, 2013 and rules made thereunder during the year under review.

Disclosure on materially significant related party transactions that may have potential conflict with the interests of the Company at large.

Details are provided in Note 30/Note 28 under Notes forming part of the Accounts (both standalone and consolidated) in accordance with the provisions of Accounting Standard 18.

For and on behalf of the Board

Venkatraman N
CFO & Whole-time Director
DIN: 01856347
Bangalore
Dated: July 1, 2019

Ashok Soota
Executive Chairman
DIN: 00145962

Annexure V
Form AOC-1

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

Statement containing salient features of the financial statement of subsidiaries or associate companies or joint ventures

Part A Subsidiaries

(Information in respect of each subsidiary to be presented with amounts in Rs.)

| Sl. No. | Particulars | |
|-----------------------|---|--|
| 1. | Name of the subsidiary | Happiest Minds Technologies LLC |
| 2. | The date since when subsidiary was acquired | 1-April-2017 |
| 3. | Reporting period for the subsidiary concerned, if different from the holding company's reporting period | 1-Apr-2018 to 31-Mar-2019 |
| 4. | Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries | Reporting Currency – USD Exchange Rate -69.17 |
| (Figures in Rs. Lacs) | | |
| 5. | Share capital | 1,003 |
| 6. | Reserves and surplus | (1,072) |
| 7. | Total assets | 217 |
| 8. | Total Liabilities | 217 |
| 9. | Investments | NIL |
| 10. | Turnover | - |
| 11. | Profit before taxation | (813) |
| 12. | Provision for taxation | NIL |
| 13. | Profit after taxation | (813) |
| 14. | Proposed Dividend | NIL |
| 15. | Extent of shareholding (in percentage) | 100% |

Notes: The following information shall be furnished at the end of the statement:

- Names of subsidiaries which are yet to commence operations- Nil
- Names of subsidiaries which have been liquidated or sold during the year- Nil

Part B Associates and Joint Ventures

Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures

<NOT APPLICABLE>

| Name of Associates or Joint Ventures | Name 1 | Name 2 | Name 3 |
|--|--------|--------|--------|
| 1. Latest audited Balance Sheet Date | | | |
| 2. Date on which the Associate or Joint Venture was associated or acquired | | | |
| 3. Shares of Associate or Joint Ventures held by the company on the year end | | | |
| No. | | | |
| Amount of Investment in Associates or Joint Venture | | | |
| Extent of Holding (in percentage) | | | |
| 4. Description of how there is significant influence | | | |
| 5. Reason why the associate/joint venture is not consolidated | | | |
| 6. Networth attributable to shareholding as per latest audited Balance Sheet | | | |
| 7. Profit or Loss for the year | | | |
| i. Considered in Consolidation | | | |
| ii. Not Considered in Consolidation | | | |

1. Names of associates or joint ventures which are yet to commence operations - Nil
2. Names of associates or joint ventures which have been liquidated or sold during the year – Nil

For and on behalf of the Board of Directors of
Happiest Minds Technologies Pvt. Ltd.

Ashok Soota
Executive Chairman
DIN-00145962

Venkatraman N.
Whole-time Director & CFO
DIN-01856347

Place: Bangalore
Date: July 1, 2019

Praveen Kumar Darshankar
Company Secretary

INDEPENDENT AUDITOR'S REPORT

To the Members of Happiest Minds Technologies Private Limited

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the accompanying standalone financial statements of Happiest Minds Technologies Private Limited ("the Company"), which comprise the Balance sheet as at March 31 2019, the Statement of Profit and Loss, and the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013, as amended ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, its profit, and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Standalone Financial Statements' section of our report. We are independent of the Company in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Other Information

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Board of Director's report, but does not include the standalone financial statements and our auditor's report thereon.

Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of Management for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance including cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read together with paragraph 7 of the Companies (Accounts) rules 2014 and the (Accounting Standard) Amendment Rules, 2016, as amended. . This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting

policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure 1" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read together with paragraph 7 of the Companies (Accounts) rules 2014 and the (Accounting Standard) Amendment Rules, 2016, as amended;
 - (e) On the basis of the written representations received from the directors as on March 31, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 from being appointed as a director in terms of Section 164 (2) of the Act;
 - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company with reference to these standalone financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;
 - (g) The provisions of section 197 read with Schedule V of the Act are not applicable to the Company for the year ended March 31, 2019;
 - (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements – Refer Note 24 and 35 to the standalone financial statements;
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

Sd/-

per Sumit Mehra
Partner
Membership Number: 096547

Place of Signature: Bengaluru
Date: June 21, 2019

Annexure 1: Referred to in paragraph 1 under the heading “Report on Other Legal and Regulatory Requirements” of our report of even date

Re: Happiest Minds Technologies Private Limited ('the Company')

We report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) According to the information and explanations given by the management, there are no immovable properties, included in property, plant and equipment of the company and accordingly, the requirements under paragraph 3(i)(c) of the Order are not applicable to the Company.
- (ii) The Company's business does not involve inventories and, accordingly, the requirements under paragraph 3(ii) of the Order are not applicable to the Company.
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause (iii) (a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, provisions of section 185 and 186 of the Companies Act 2013 in respect of loans to directors including entities in which they are interested and in respect of loans and advances given, investments made and, guarantees, and securities given have been complied with by the company.
- (v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.
- (vi) To the best of our knowledge and as explained, the Company is not in the business of sale of any goods. Therefore, in our opinion, the provisions of clause 3(vi) of the Order are not applicable to the Company.
- (vii) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, goods and service tax, cess and other statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, duty of custom, goods and service tax, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, there are no dues of income tax, goods and service tax, sales-tax, service tax, customs duty, excise duty, value added tax and cess which have not been deposited on account of any dispute.
- (viii) In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of loans or borrowing to a financial institution, bank or government or dues to debenture holders.

- (ix) In our opinion and according to the information and explanations given by the management, the Company has utilized the monies raised by way of a term loan taken during the year for the purpose for which it was raised.
- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the company or no fraud / material fraud on the company by the officers and employees of the Company has been noticed or reported during the year.
- (xi) According to the information and explanations given by the management, the provisions of section 197 read with Schedule V of the Act are not applicable to the company and hence reporting under clause 3(xi) are not applicable and hence not commented upon.
- (xii) In our opinion, the Company is not a Nidhi company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.
- (xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards. The provisions of sec 177 are not applicable to the company and accordingly reporting under clause 3(xiii) insofar as it relates to section 177 of the Act is not applicable to the Company and hence not commented upon.
- (xiv) According to the information and explanations given by the management, the Company has complied with provisions of section 42 of the Companies Act, 2013 in respect of the preferential allotment or private placement of shares during the year. According to the information and explanations given by the management, we report that the amounts raised, have been used for the purposes for which the funds were raised.
- (xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of Companies Act, 2013.
- (xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

Sd/-

per Sumit Mehra
Partner
Membership Number: 096547

Place of Signature: Bangalore
Date: June 21, 2019

ANNEXURE 2 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF HAPPIEST MINDS TECHNOLOGIES PRIVATE LIMITED

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Happiest Minds Technologies Private Limited ("the Company") as of March 31, 2019 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting with reference to these standalone financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting with reference to these standalone financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting with reference to these standalone financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these standalone financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls over financial reporting with reference to these standalone financial statements.

Meaning of Internal Financial Controls Over Financial Reporting With Reference to these Financial Statements

A company's internal financial control over financial reporting with reference to these standalone financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting with reference to these standalone financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit

preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting With Reference to these Standalone Financial Statements

Because of the inherent limitations of internal financial controls over financial reporting with reference to these standalone financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting with reference to these standalone financial statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to these standalone financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting with reference to these standalone financial statements and such internal financial controls over financial reporting with reference to these standalone financial statements were operating effectively as at March 31, 2019, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

Sd/-

per Sumit Mehra
Partner
Membership Number: 096547

Place of Signature: Bengaluru
Date: June 21, 2019

Happiest Minds Technologies Private Limited

Registered Office: 53/1-4, Madivala (Next to Madivala Police station), Bangalore - 560068

Standalone Balance Sheet as at March 31, 2019

(All amounts in Indian Rupees Lacs)

| | Notes | March 31, 2019 | March 31, 2018 |
|--|--------------|----------------|----------------|
| EQUITY AND LIABILITIES | | | |
| Shareholders' funds | | | |
| Share capital | 3 | 4,866 | 4,865 |
| Reserves and surplus | 4 | 15,886 | 14,324 |
| | | 20,752 | 19,189 |
| Non-current liabilities | | | |
| Long-term borrowings | 5 | 1,155 | 1,814 |
| Other long-term liabilities | 6 | 327 | 577 |
| Long-term provisions | 10 | 940 | 812 |
| | | 2,422 | 3,203 |
| Current liabilities | | | |
| Short-term borrowings | 7 | 6,011 | 6,854 |
| Trade payables | 8 | | |
| Total outstanding dues of micro and small enterprises | | 40 | 38 |
| Total outstanding dues of creditors other than micro and small enterprises | | 2,853 | 2,346 |
| Other current liabilities | 9 | 5,512 | 3,419 |
| Short-term provisions | 10 | 1,152 | 919 |
| | | 15,568 | 13,576 |
| | TOTAL | 38,742 | 35,968 |
| ASSETS | | | |
| Non-current assets | | | |
| Fixed assets | | | |
| Property and equipments | 11 | 553 | 694 |
| Intangible assets | 11 | 2,850 | 3,710 |
| Capital work in progress | | 17 | 14 |
| Investment in subsidiary | 12 | - | 2,340 |
| Long-term loans and advances | 13 | 2,073 | 1,727 |
| Other non-current assets | 14 | 5,207 | 250 |
| | | 10,700 | 8,735 |
| Current assets | | | |
| Current investments | 15 | 9,041 | 13,730 |
| Trade receivables | 16 | 13,367 | 9,393 |
| Cash and bank balance | 17 | 2,541 | 1,493 |
| Short-term loans and advances | 13 | 1,059 | 1,469 |
| Other current assets | 14 | 2,034 | 1,148 |
| | | 28,042 | 27,233 |
| | TOTAL | 38,742 | 35,968 |
| Summary of significant accounting policies | 2(b) | | |

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S.R. BATLIBOI & ASSOCIATES LLP

Firm Registration No (FRN): 101049W/E300004

CHARTERED ACCOUNTANTS

per Sumit Mehra

Partner

Membership No. 096547

For and on behalf of the Board of Directors of**Happiest Minds Technologies Private Limited****Ashok Soota**

Executive Chairman

DIN 00145962

Venkatraman. N

Director & CFO

DIN 01856347

Praveen Darashankar

Company Secretary

FCS No.: F6706

Place: Bangalore

Date: June 21, 2019

Place: Bangalore

Date: June 21, 2019

Happiest Minds Technologies Private Limited

Registered Office: 53/1-4, Madivala (Next to Madivala Police station), Bangalore - 560068

Standalone statement of Profit & Loss for the Year ended March 31, 2019

(All amounts in Indian Rupees Lacs)

| | Note | March 31, 2019 | March 31, 2018 |
|---|------|----------------|----------------|
| Revenue from operations (net) | 18 | 59,558 | 44,365 |
| Other income | 19 | 422 | 1,658 |
| Total Revenue | | 59,980 | 46,023 |
| Expenses: | | | |
| Purchase of licenses for resale | | 485 | 139 |
| Employee benefits expense | 20 | 37,311 | 34,482 |
| Finance costs | 21 | 689 | 592 |
| Depreciation and amortisation expense | 22 | 582 | 687 |
| Other expenses | 23 | 16,526 | 11,431 |
| Total Expenses | | 55,593 | 47,331 |
| Profit before tax and exceptional items | | 4,387 | (1,308) |
| Exceptional items: | | | |
| Impairment of goodwill (refer note 31) | | 761 | - |
| Diminution in value of investment in subsidiary (refer note 12) | | 2,340 | - |
| Profit before tax | | 1,286 | (1,308) |
| Tax expense: | | | |
| Current tax | | - | - |
| Deferred tax | | - | - |
| Profit after tax | | 1,286 | (1,308) |
| Earnings per equity share (of Rs. 2 each) | | | |
| Basic (Refer Note 33) (Rs.) | | 3.46 | (3.56) |
| Diluted (Refer Note 33) (Rs.) | | 0.92 | - |
| Summary of significant accounting policies | 2(b) | | |

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S.R. BATLIBOI & ASSOCIATES LLP

Firm Registration No (FRN): 101049W/E300004

CHARTERED ACCOUNTANTS

For and on behalf of the Board of Directors of**Happiest Minds Technologies Private Limited****per Sumit Mehra**

Partner

Membership No. 096547

Ashok Soota

Executive Chairman

DIN 00145962

Venkatraman. N

Director & CFO

DIN 01856347

Praveen Darashankar

Company Secretary

FCS No.: F6706

Place: Bangalore

Date: June 21, 2019

Place: Bangalore

Date: June 21, 2019

Happiest Minds Technologies Private Limited

Registered Office: 53/1-4, Madivala (Next to Madivala Police station), Bangalore - 560068

Standalone cash flow statement for the year ended March 31, 2019

(All amounts in Indian Rupees Lacs)

| | March 31, 2019 | March 31, 2018 |
|--|----------------|----------------|
| I. Cash flow from operating activities | | |
| Profit Before tax | 1,286 | (1,308) |
| Adjustments to reconcile profit before tax to net cash flows | | |
| Depreciation and amortisation | 582 | 687 |
| Interest income | (232) | (17) |
| Gain on sale of current investments | (131) | (971) |
| Interest expense | 635 | 592 |
| Loss on sale of fixed assets (net) | 5 | (23) |
| Provision for doubtful debts (net) | 755 | 32 |
| Stock options outstanding expense | 4 | 22 |
| Unrealised foreign exchange (gain)/ loss | 302 | (133) |
| Provision for warranty (net) | - | 1 |
| Provision for doubtful deposits (net) | (36) | 20 |
| Provision no longer required written off | (19) | - |
| Impairment of goodwill | 761 | - |
| Diminution in value of investment in subsidiary | 2,340 | - |
| Acquisition related receivables written off | 165 | - |
| Operating profit before working capital changes | 6,417 | (1,098) |
| Movements in working capital | | |
| Decrease / (increase) in loans and advances | 436 | (18) |
| (Increase) / decrease in other Assets | (789) | 2,454 |
| (Increase) in trade receivables | (5,009) | (2,451) |
| Increase in provisions | 361 | 196 |
| Increase / (decrease) in other liabilities | 2,161 | 353 |
| Increase in trade payables | 510 | 813 |
| Cash (used in) from operations | 4,087 | 249 |
| Taxes paid (net of refunds) | (336) | 20 |
| Net cash flow from / (used in) operating activities | 3,751 | 269 |
| II. Cash flow from investing activities | | |
| Purchase of fixed assets | (105) | (249) |
| Proceeds from sale of fixed assets | 10 | 52 |
| Purchase of current Investments | - | (32,834) |
| Proceeds from sale of current investments | 4,820 | 35,608 |
| Payment towards acquisition of Cupola Technology Private Limited on slump sale | - | (695) |
| Payment towards acquisition of OSS Cube Solutions Limited on slump sale | - | (1,936) |
| Payment towards acquisition of Happiest Minds Technologies LLC | - | (2,700) |
| Payment of earnout to Cupola Technology Private Limited | (281) | - |
| Investment in fixed deposit | (4,957) | - |
| Interest received | 181 | 13 |
| Net cash flow investing activities | (332) | (2,741) |
| III. Cash flow from financing activities | | |
| Repayment of long term borrowings (net) | (598) | 1,503 |
| Repayment of short term borrowings (net) | (991) | 2,321 |
| Repayment of lease obligations | (351) | (387) |
| Proceeds from issuance of preference shares | 21 | 168 |
| Proceeds from allotment under employee stock option scheme | - | 189 |
| Payment of interest | (577) | (520) |
| Net cash flow from financing activities | (2,496) | 3,274 |
| IV. Net (decrease)/ increase in Cash and cash equivalents (I+II+III) | 923 | 802 |

Happiest Minds Technologies Private Limited

Registered Office: 53/1-4, Madivala (Next to Madivala Police station), Bangalore - 560068

Standalone cash flow statement for the year ended March 31, 2019

(All amounts in Indian Rupees Lacs)

| | March 31, 2019 | March 31, 2018 |
|--|-----------------------|-----------------------|
| V. Effect of exchange differences on cash and cash equivalents held in foreign currency | 125 | (26) |
| VI. Cash and cash equivalents at the beginning of the year | 1,493 | 717 |
| VII. Cash and cash equivalents at the end of the year (IV + V + VI) (Refer note 17) | 2,541 | 1,493 |
| Components of Cash and cash Equivalents | | |
| Balances with Banks | 2,541 | 1,493 |
| Total cash and cash equivalents [refer note 17] | 2,541 | 1,493 |
| Summary of significant accounting policies 2(b) | | |

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S.R. BATLIBOI & ASSOCIATES LLPFirm Registration No (FRN): 101049W/E300004
CHARTERED ACCOUNTANTS**For and on behalf of the Board of Directors of
Happiest Minds Technologies Private Limited****per Sumit Mehra**
Partner
Membership No. 096547**Ashok Soota**
Executive Chairman
DIN 00145962**Venkatraman. N**
Director & CFO
DIN 01856347**Praveen Darashankar**
Company Secretary
FCS No.: F6706Place: Bangalore
Date: June 21, 2019Place: Bangalore
Date: June 21, 2019

Happiest Minds Technologies Private Limited

Notes to standalone financial statements for the year ended March 31, 2019

1. Company overview

Happiest Minds Technologies Private Limited ("Happiest Minds" or "the Company") is a next generation IT solutions & services Company, enabling organizations to capture the business benefits of emerging technologies of cloud computing, social media, mobility solutions, business intelligence, analytics, unified communications and internet of things. Happiest Minds offers high degree of skills, IPs and domain expertise across a set of focused areas that include Digital Transformation & Enterprise Solutions, Product Engineering, Infrastructure Management, Security, Testing and Consulting. Happiest Minds focuses on industries in the Retail/CPG, BFSI, Travel & Transportation, Manufacturing and Media space. Happiest Minds Provide a Smart, Secure and Connected Experience to its Customers. In the Solution space, focus areas are Security, M2M and Mobility solutions.

Happiest Minds is headquartered in India and has branch offices in United States of America, United Kingdom, Australia, Canada, the Netherlands, Singapore, Malaysia and Dubai.

2. (a) Basis of preparation

The financial statements of the Company have been prepared in accordance with the generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the accounting standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and Companies (Accounting Standards) Amendment Rules, 2016. The financial statements have been prepared on an accrual basis and under the historical cost convention, except for derivative financial instruments which have been measured at fair value.

The accounting policies adopted in the preparation of financial statements are consistent with those of previous year, except for the change in accounting policy explained below.

2. (b) Significant accounting policies

i. Use of estimates

The preparation of the financial statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amount of assets and liabilities, revenues and expenses and disclosure of contingent liabilities at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

ii. Cash and cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

Happiest Minds Technologies Private Limited

Notes to standalone financial statements for the year ended March 31, 2019

iii. Property, plant and equipment

Property, plant and equipment, capital work in progress are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalization criteria are met, directly attributable cost of bringing the asset to its working condition for the intended use and initial estimate of decommissioning, restoring and similar liabilities. Any trade discounts and rebates are deducted in arriving at the purchase price. All repairs and maintenance cost are recognized in statement of profit and loss as incurred.

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

Gains or losses arising from de-recognition of property, plant and equipment 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 held for sale is valued at lower of their carrying amount and net realizable value. Any write-down is recognized in the statement of profit and loss.

iv. Depreciation on property, plant and equipment

Depreciation on property, plant and equipment is calculated on a straight-line basis using the rates arrived at, based on the useful lives estimated by the management or the rates prescribed under Schedule II to the Companies Act, 2013, whichever is higher. The estimates of useful lives of the assets based on a technical evaluation, have not undergone a change on account of transition to the Companies Act, 2013.

The Company has used the following rates to provide depreciation on its property, plant and equipment.

| Asset | Estimated useful life |
|-----------------------|------------------------------|
| Computer Systems | 2.5 - 3 years |
| Furniture and Fixture | 5 years |
| Office equipment | 4 years |
| Vehicles | 4 years |

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

Assets under finance lease are depreciated over their estimated life or lease term whichever is lower.

Property, plant and equipment individually costing Rs.5,000 or less are depreciated at 100% in the year in which such assets are acquired.

Happiest Minds Technologies Private Limited

Notes to standalone financial statements for the year ended March 31, 2019

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

v. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial intangible assets are stated at acquisition cost, net of accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised on a straight line basis over their estimated useful economic lives. The amortisation period and the amortisation method are reviewed at least at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly. If there has been a significant change in the expected pattern of economic benefits from the asset, the amortization method is changed to reflect the changed pattern. Such changes are accounted for in accordance with AS 5 Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies.

A summary of amortization policies applied to the Company's intangible assets is as below:

| Asset | Estimated useful life |
|-------------------|------------------------------|
| Computer Software | 2.5 - 3 years |

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

Research and Development Expenses

Research costs are expensed as incurred. Development expenditure incurred on an individual project is recognised as an intangible asset when all of the following criteria are met:

- i. It is technically feasible to complete the intangible asset so that it will be available for use or sale.
- ii. There is an intention to complete the asset
- iii. There is an ability to use or sale the asset
- iv. The asset will generate future economic benefits
- v. Adequate resources are available to complete the development and to use or sell the asset
- vi. The expenditure attributable to the intangible asset during development can be measured reliably.

Following the initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use and it is amortised on straight line basis over the estimated useful life. Amortization is recognized in the statement of profit and loss. During the period of development, the asset is tested for impairment annually.

Happiest Minds Technologies Private Limited

Notes to standalone financial statements for the year ended March 31, 2019

vi. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Income from 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 as the related services are performed. Revenue with respect to fixed price contracts 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.

Unbilled revenue represent revenues earned on contracts as of the balance sheet date to be billed in subsequent periods as per the terms of the contracts.

Unearned income represents the difference between the amount invoiced and revenue earned on contracts as of the balance sheet date and advance payment received from the customer.

Revenue from sale of licenses is recognised as per the terms of the contract.

Revenues are shown net of sales tax, value added tax, service tax and applicable discounts and allowances and includes reimbursement of out-of-pocket expenses, with corresponding expenses included in cost of revenues.

Dividends

Dividend income is recognised when the Company's right to receive dividend is established.

Interest

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the applicable interest rate.

vii. Foreign currency translation

a) Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Happiest Minds Technologies Private Limited

Notes to standalone financial statements for the year ended March 31, 2019

b) Conversion:

Foreign currency monetary items are retranslated using the exchange rate prevailing at the reporting date. Non-monetary items, which are measured in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction. Non-monetary items, which are measured at fair value or other similar valuation denominated in a foreign currency, are translated using the exchange rate at the date when such value was determined.

c) Exchange difference:

Exchange differences arising on the settlement or conversion of the monetary items are recognized as income or as expenses in the year in which they arise.

d) Translation of foreign operations

The Company classifies all its foreign operations as either "integral foreign operations" or "non-integral foreign operations."

The financial statements of an integral foreign operation are translated as if the transactions of the foreign operation have been those of the Company itself.

The assets and liabilities of a non-integral foreign operation are translated into the reporting currency at the exchange rate prevailing at the reporting date. Their statement of profit and loss are translated at exchange rates prevailing at the dates of transactions or weighted average weekly rates, where such rates approximate the exchange rate at the date of transaction. The exchange differences arising on translation are accumulated in the foreign currency translation reserve. On disposal of a non-integral foreign operation, the accumulated foreign currency translation reserve relating to that foreign operation is recognized in the statement of profit and loss.

When there is a change in the classification of a foreign operation, the translation procedures applicable to the revised classification are applied from the date of the change in the classification.

The Company has classified all its branches as integral foreign operations.

viii. Investments

Investments that are readily realisable and are intended to be held for not more than one year from the date, on which such investments are made, are classified as current investments. All other investments are classified as long term investments.

Current investments are carried at lower of cost or fair value determined individually for each investment. Long-term investments are carried at cost. However, provision for diminution is made to recognise a decline, other than temporary, in the value of the investments, such reduction being determined and made for each investment individually.

Happiest Minds Technologies Private Limited

Notes to standalone financial statements for the year ended March 31, 2019

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

ix. Retirement and other employee benefits

Employee benefits include contribution to Provident fund, Social security, National Insurance, Superannuation, Medicare schemes, gratuity and compensated absences.

a) Defined Contribution Plans:

Retirement benefit in the form of provident fund scheme, Social security, National Insurance, Superannuation, Medicare schemes are the defined contribution plans. The Company has no obligation, other than the contribution payable. The Company recognizes contribution payable to these schemes as an expenditure, when an employee renders the related service.

b) Defined Benefit Plans:

The Company provides for gratuity, a defined benefit retirement plan ('the gratuity plan') covering eligible employees. The Gratuity Plan provides a lump-sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employees' salary and the tenure of employment with the Company.

Liabilities with regard to the gratuity plan are determined by actuarial valuation, performed by an independent actuary, at each balance sheet date using the projected unit credit method. The plan is administered through registered Gratuity trust. The Company recognizes the net obligation of the gratuity plan in the balance sheet as an asset or liability, respectively in accordance with Accounting standard 15, 'Employee benefits'. The Company's overall expected long-term rate-of-return on assets has been determined based on consideration of available market information, current provision of Indian Law specifying the instruments in which investments can be made, and historical returns. The discount rate is based on the Government securities yield. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the statement of profit and loss in the period in which they arise.

Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, as reduced by the fair value of scheme assets.

c) Other Employee Benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service.

Happiest Minds Technologies Private Limited

Notes to standalone financial statements for the year ended March 31, 2019

Accumulated leave, which is expected to be utilised within the next 12 months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Company treats accumulated leave expected to be carried forward beyond 12 months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/ losses are immediately taken to the statement of profit and loss and are not deferred. The Company presents the entire leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for 12 months after the reporting date.

x. Employee share based payments

Certain employees of the Company also receive remuneration in the form of share based payment transactions, whereby employees render services as consideration for equity instruments.

In accordance with the Guidance Note on Employee Share-based Payments issued by the Institute of Chartered Accountants of India the nature of the scheme is assessed at every period end (Equity-settled / Cash-settled Employee Share-Based Payment Plans) based on terms and conditions of the scheme.

The Company measures the compensation cost relating to employee stock options using the intrinsic value method (which is the excess of fair market value of the underlying share immediately prior to date of grant over its exercise price) as prescribed by the Guidance Note. The Company computes the fair value of options granted using the Black Scholes model.

Cash-settled Employee Share-Based Payment Plan: The Company follows the intrinsic value method of measurement. The Company measures the services received and the liability incurred at the fair value of the liability. Until the liability is settled, the fair value of the liability is re-measured at each reporting date and at the date of the settlement, with any changes in fair value recognised in the Statement of Profit and Loss for the period.

Equity-settled Employee Share-Based Payment Plan: The intrinsic value of the option is recognised as deferred employee compensation with a credit to employee stock option outstanding account. The deferred employee compensation is charged to Statement of Profit and Loss on straight line basis over the vesting period of the option.

xi. Borrowing costs

Borrowing cost includes interest and amortization of ancillary costs incurred in connection with the arrangement of borrowings.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use

Happiest Minds Technologies Private Limited

Notes to standalone financial statements for the year ended March 31, 2019

or sale. All other borrowing costs are recognised in Statement of Profit and Loss in the period in which they are incurred.

xii. Segment reporting

The Company identifies primary segments based on the dominant source, nature of risks and returns and the internal organisation and management structure. The operating segments are the segments for which separate financial information is available and for which operating profit / loss amounts are evaluated regularly by the executive Management in deciding how to allocate resources and in assessing performance. The analysis of geographical segments is based on customer locations, which are located in different geographical locations.

The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company as a whole.

Segment revenue, segment expenses, segment assets and segment liabilities have been identified to segments on the basis of their relationship to the operating activities of the segment.

Inter-segment revenue is accounted on the basis of transactions which are primarily determined based on market / fair value factors.

Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

Revenue, expenses, assets and liabilities which relate to the Company as a whole and are not allocable to segments on reasonable basis have been included under "unallocated revenue / expenses / assets / liabilities".

xiii. Leases

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease term at the lower of the fair value of the leased property and present value of minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in the statement of profit and loss. Lease management fees, legal charges and other initial direct costs of lease are capitalized.

A leased asset is depreciated on a straight-line basis over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, the capitalized asset is depreciated on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term.

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

Happiest Minds Technologies Private Limited

Notes to standalone financial statements for the year ended March 31, 2019

xiv. Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the period is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split (consolidation of shares) that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

xv. Taxes on income

Tax expense comprises of current and deferred taxes. Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961, enacted in India and tax laws prevailing in the respective tax jurisdictions where the Company operates. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Deferred income tax reflects the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences of earlier years. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and deferred taxes relate to the same entity and the same taxation authority.

Deferred tax liabilities are recognized for all taxable timing differences. Deferred tax assets are recognized for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits. At each reporting date, the Company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized. The carrying amount of deferred tax assets are reviewed at each reporting date. The Company writes-down the carrying amount of deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Happiest Minds Technologies Private Limited

Notes to standalone financial statements for the year ended March 31, 2019

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The Company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Company recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss and shown as "MAT Credit Entitlement." The Company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

xvi. Impairment

The Company 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 Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) net selling price 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. Where 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 net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering 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.

Impairment losses of continuing operations are recognized in the statement of profit and loss.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit'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.

Happiest Minds Technologies Private Limited

Notes to standalone financial statements for the year ended March 31, 2019

xvii. Provisions

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Warranty provisions:

As per the terms of the contracts, the Company provides post-contract services / warranty support to some of its customers. The Company 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.

xviii. Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company 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 Company does not recognize a contingent liability but discloses its existence in the financial statements.

xix. Derivative contracts

The Company enters into derivative contracts in the nature of forward contracts with an intention to hedge its existing assets and liabilities, firm commitments and highly probable transactions in foreign currency.

The Company is also exposed to foreign currency fluctuation and interest rate risk on forecasted cash flows dominated in foreign currencies arising from floating rate foreign currency borrowings. The Company limits the effects of interest rate risk by following established risk management policies including the use of interest rate swap derivatives.

As per the "Guidance Note on Accounting for Derivative Contracts" issued by the Institute of Chartered Accountants of India (ICAI), in case of cash flow hedges, the effective portion of the gain/ loss on the hedging instrument is recognized directly in shareholders' funds and is reclassified into the statement of profit and loss upon the occurrence of the hedged transaction. The changes in fair value relating to the ineffective portion of the cash flow hedges are recognized in the profit and loss account as they arise. In case of fair value hedges, the changes in the fair value of a hedging derivative designated as fair value hedges are recognized in the statement of profit and loss as they arise. Additionally, the change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the statement of profit and loss.

Happiest Minds Technologies Private Limited

Notes to standalone financial statements for the year ended March 31, 2019

If the forecast transaction is no longer expected to occur, the cumulative gain or loss previously recognized in the hedging reserve is transferred to the statement of profit and loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in the hedging reserve remains in the hedging reserve until the forecast transaction affects profit or loss.

Presentation of derivative contracts in the financial statement

Derivative assets and liabilities recognized on the balance sheet are presented as current and non-current based on the following considerations:

- Derivatives that are hedges of recognized assets or liabilities are classified as current or non-current based on the classification of the hedged item
- Derivatives that are hedges of forecasted transactions and firm commitments are classified as current or non-current based on the settlement date / maturity dates of the derivative contracts.
- Derivatives that have periodic or multiple settlements such as interest rate swaps are not bi-furcated into current and non-current elements. Their classification is based on when a predominant portion of their cash flows are due for settlement as per their contractual terms.

xx. Operating cycle

Based on the nature of activities of the Company and the normal time between acquisition of assets and their realization in cash or cash equivalents, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

xxi. Corporate social responsibility ('CSR') expenditure

CSR expenditure as per provisions of Section 135 of the Companies Act, 2013, read with rules thereon, is charged to the statement of profit and loss as an expense.

xxii. Events subsequent to the balance sheet date

Events occurring after the balance sheet date, which have a material impact on the financial affairs of the Company, are accounted for based on the management's assessment of whether they are adjusting or non-adjusting events.

Happiest Minds Technologies Private Limited

Notes to Standalone financial statements for the year ended March 31, 2019

Note 3 Share capital

(All amounts in Indian Rupees Lacs)

| Particulars | March 31, 2019 | March 31, 2018 |
|--|----------------|----------------|
| Authorised | | |
| 50,000,000 (Previous Year: 50,000,000) Equity shares of Rs.2 each | 1,000 | 1,000 |
| 750,000 (Previous Year: 750,000) Series A 14% Non Cumulative compulsorily convertible preference shares of Rs.652 each | 4,890 | 4,890 |
| | 5,890 | 5,890 |
| Issued, subscribed and paid-up capital | | |
| 37,164,815 (Previous Year: 37,164,815) Equity shares of Rs.2 each | 743 | 743 |
| 632,345 (Previous Year: 632,157) Series A 14% Non Cumulative compulsorily convertible preference shares of Rs.652 each | 4,123 | 4,122 |
| Total | 4,866 | 4,865 |

Notes:

(a) The Company had two class of equity share i.e., Equity share of Rs. 2 each and Class B Non-voting equity shares of Rs. 2 each. During the previous year the Company had obtained approval of shareholders at the annual general meeting held on July 31, 2017 for conversion of Class B Non-Voting Equity shares into Equity Shares and to make it rank pari passu in all respects with the Equity Shares of the Company. The conversion was approved by Class B shareholders and the board of directors on March 22, 2017 and April 26, 2017, respectively. Accordingly, the Company had altered the Memorandum of association to have authorised share capital of 50,000,000 Equity shares of Rs. 2. each and 750,000 Series A Non-cumulative compulsorily convertible preference shares of Rs. 652 each.

(b) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period:

| Particulars | March 31, 2019 | | March 31, 2018 | |
|--|------------------|-------------------|------------------|-------------------|
| | Number of shares | Amount in Rs lacs | Number of shares | Amount in Rs lacs |
| Equity shares (with voting rights) | | | | |
| Balance as at the beginning of the year | 37,164,815 | 743 | 18,969,865 | 379 |
| Add: Shares issued during the year | - | - | 698,680 | 14 |
| Add: Class B non-voting Equity Shares converted to Equity Shares (with voting rights) [refer note(a) above] | - | - | 17,496,270 | 350 |
| Balance as at the end of the year | 37,164,815 | 743 | 37,164,815 | 743 |
| Class B Equity shares (without voting rights) | | | | |
| Balance as at the beginning of the year | - | - | 17,376,270 | 348 |
| Add: Shares issued during the year | - | - | 120,000 | 2 |
| Less: Class B non-voting Equity Shares converted to Equity Shares (with voting rights) [refer note(a) above] | - | - | (17,496,270) | (350) |
| Balance as at the end of the year | - | - | - | - |
| Series A 14% Non Cumulative compulsorily convertible preference shares | | | | |
| Balance as at the beginning of the year | 632,157 | 4,122 | 630,689 | 4,112 |
| Add: Shares issued during the year | 188 | 1 | 1,468 | 10 |
| Balance as at the end of the year | 632,345 | 4,123 | 632,157 | 4,122 |

(c) Rights, preferences and restrictions attached to shares including terms of conversion if any:

The Company has two classes of shares as below:

- i) Equity shares of Rs.2 each
- ii) Series A 14% Non Cumulative compulsorily convertible preference shares of Rs.652 each

Each holder of the equity shares is entitled to one vote per share and carries a right to dividends as and when declared by the Company

Each holder of Series A 14% Non Cumulative compulsorily convertible preference shares is entitled to receive a preferential non-cumulative dividend at 14% per annum on the par value of each share. Holders of preferential shares shall receive preferential dividend in preference to dividend payable on equity shares and shall not participate in any further dividends declared on Equity Shares. Preference shareholders are also entitled to vote in the shareholders meeting.

In the event of liquidation of the Company, the holders of equity shares, will be entitled to receive any of the remaining assets of the Company after distribution of all preferential amounts. The preferential amount is the actual amount invested by shareholders who hold Series A 14% Non Cumulative compulsorily convertible preference shares.

After distribution as above, holders of Series A 14% Non Cumulative compulsorily convertible preference shares are entitled to participate in the surplus proceeds (which is subject to a limit of two times the amount invested) from the Liquidation Event, if any, on a pro-rata basis along with all other holders of Equity Shares on a fully diluted basis.

Happiest Minds Technologies Private Limited
Notes to Standalone financial statements for the year ended March 31, 2019

These shares are convertible into equity shares at the ratio of 163 : 1 on any of the following occurrence:

- i) At the end of 20 years from the date of allotment
- ii) At the time of the Company filing for an Initial Public Offering
- iii) At the insistence of such preference shareholders

(d) Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company

| Name of the Shareholder | March 31, 2019 | | March 31, 2018 | |
|---|------------------|------------|------------------|------------|
| | Number of shares | % of Total | Number of shares | % of Total |
| Equity Shares | | | | |
| Ashok Soota (Promoter) | 15,192,854 | 40.88% | 12,380,339 | 33.31% |
| Happiest Minds Technologies Share Ownership Plans Trust | 7,331,563 | 19.73% | 8,083,394 | 21.75% |
| Vikram Gulati | - | - | 2,812,515 | 7.57% |
| Series A 14% Non Cumulative compulsorily convertible preference shares | | | | |
| Ashok Soota (Promoter) | 325,761 | 51.52% | 325,761 | 51.53% |
| CMDB II | 167,173 | 26.44% | 167,173 | 26.44% |
| Intel Capital Corporation | 123,099 | 19.47% | 123,099 | 19.47% |

(e) Aggregate number of shares allotted as fully paid up by way of bonus shares during 5 years immediately preceding March 31, 2019:

- (i) The Company has not issued and allotted any fully paid up equity shares by way of bonus shares during 5 years immediately preceding March 31, 2019.

(f) Employee Share based payments

The Company instituted the Employee Stock Option Plan ('ESOP') and Equity incentive scheme for eligible employees during the year ended March 2012 which was approved by the Board of Directors (Board) on October 18, 2011 and January 19, 2012 duly amended by the Board of Directors on January 22, 2015.

(i) The participants shall be permitted to retain the Options that are vested and also can participate in case of an early liquidity event prior to an Initial Public Offer (IPO).

(ii) The participants shall not be entitled to offer the Shares and/or RNV Shares acquired to the Trust after the expiry of seven years if the shares of the Company have not been listed by then.

(iii) In the event of termination of the Participant's employment with the Company for any reason other than death, permanent incapacity and superannuation and in case of resignation of the Employee or for termination for cause by the Company, the participant has to exercise all the vested but unexercised options into the shares within 30 days of the date of his/her last working day with the Company.

Besides the above Plan, the Company has also instituted Employee Stock Option Plan 2014 duly approved by the Board of Directors on October 20, 2014 and by the shareholders on January 22, 2015. Company has also instituted Employee Stock Option Plan 2015 duly approved by the Board of Directors on June 30, 2015 and by the shareholders on July 22, 2015. During the previous year company has amended employee stock option plan 2014 and merged it with employee stock option plan 2011 duly approved by the board on October 25, 2017.

The plans are separate for USA employees (working out of the United States America - "USA") and employees working outside USA. The Company administers these plans.

Under these plans, the Company provides the option to the employees, either to exercise all the options into Equity Shares immediately or exercise the options as and when they vest.

| Key Terms | Employee Stock Ownership Plan 2011 | Employee Stock Ownership Plan 2014 / Equity Incentive Plan for US Employees- 2011**# | Employee Stock Ownership Plan 2015 / Equity Incentive Plan for US Employees-2011## |
|----------------------|--|--|---|
| Class of Share | Equity Shares (as amended vide board meeting held on April 26, 2017 and Annual general meeting held on July 31, 2017) | Pursuant to conversion of Class B Non-voting Equity Shares to Equity shares (as amended vide board meeting held on April 26, 2017 and Annual general meeting held on July 31, 2017), Board of Directors at meeting held on October 25, 2017 approved administration of options granted and shares allotted under Employee Stock Ownership Plan 2011 on going forward basis | Equity Shares (as amended vide board meeting held on April 26, 2017 and Annual general meeting held on July 31, 2017) |
| Ownership | Legal Ownership | | Legal Ownership |
| Vesting Pattern | Four-year vesting term and vest at the rate of 15%, 20%, 30% and 35% at the end of 1,2,3 and 4 years respectively from the date of grant and become fully exercisable, subject to employee being in the employment of the Company. | | |
| Method of Settlement | Equity Settled | | |

Happiest Minds Technologies Private Limited
Notes to Standalone financial statements for the year ended March 31, 2019

| Key Terms | Employee Stock Ownership Plan 2011 | Employee Stock Ownership Plan 2014 / Equity Incentive Plan for US Employees-2011**# | Employee Stock Ownership Plan 2015 / Equity Incentive Plan for US Employees-2011## |
|-----------------------------------|--|---|--|
| Exercise Price | Exercisable at an exercise price of Rs.2, Rs. 3, Rs. 5 and Rs. 6 per option. | Exercisable at an exercise price of Rs.2 and Rs. 6 per option. | Exercisable at an exercise price of Rs.2, Rs. 6.25, Rs. 9.50, Rs. 11.50 and Rs. 26 per option. |
| Economic Benefits / Voting Rights | The holders of the equity shares will be entitled to the economic benefits of holding these shares only after the completion of the various vesting terms mentioned above and shall acquire voting rights as a shareholder of the Company as duly approved by the shareholders at the meeting held on July 31, 2017. | | |

**# As amended vide Board meeting held in October 20, 2014. Under the said Plan , for employees (working out of the United States America - "USA") who have been granted options the legal ownership vests with the Employees only.

As amended vide Board meeting held in June 30, 2015.

April 01, 2018 to March 31, 2019

| Options - Non USA Plan | Employee Stock Ownership Plan 2011 | | Employee Stock Ownership Plan 2014 | | Employee Stock Ownership Plan 2015 | |
|--|------------------------------------|---------------------------------|------------------------------------|---------------------------------|------------------------------------|---------------------------------|
| | No of Options | Weighted Average Exercise Price | No of Options | Weighted Average Exercise Price | No of Options | Weighted Average Exercise Price |
| Options at the beginning of the year | 429,835 | 5.59 | - | - | 1,663,875 | 16.82 |
| Options granted during the year | - | - | - | - | 4,157,881 | 26.00 |
| Exercised during the year | 14,675 | 5.76 | - | - | 1,545,431 | 25.93 |
| Lapsed during the year | 44,091 | 5.66 | - | - | 90,900 | 9.01 |
| Forfeited during the year | 26,433 | 5.62 | - | - | 717,925 | 20.41 |
| Reclassification | - | - | - | - | - | - |
| Outstanding options as at the end of the year | 344,636 | 5.57 | - | - | 3,467,500 | 23.23 |
| Weighted Average Remaining Contractual Life | 2.43 Years | | - | | 5.70 Years | |

April 01, 2017 to March 31, 2018

| Options - Non USA Plan | Employee Stock Ownership Plan 2011 | | Employee Stock Ownership Plan 2014 | | Employee Stock Ownership Plan 2015 | |
|--|------------------------------------|---------------------------------|------------------------------------|---------------------------------|------------------------------------|---------------------------------|
| | No of Options | Weighted Average Exercise Price | No of Options | Weighted Average Exercise Price | No of Options | Weighted Average Exercise Price |
| Options at the beginning of the year | 250,700 | 4.62 | 481,174 | 6.00 | 1,325,225 | 7.89 |
| Options granted during the year | - | - | - | - | 2,098,000 | 24.34 |
| Exercised during the year | 41,354 | 4.33 | 24,875 | 6.00 | 1,229,900 | 22.81 |
| Lapsed during the year | 85,822 | 5.18 | 14,808 | 6.00 | 66,475 | 7.53 |
| Forfeited during the year | 107,262 | 5.71 | 27,918 | 6.00 | 462,975 | 10.78 |
| Reclassification | 413,573 | 6.00 | (413,573) | (6.00) | - | - |
| Outstanding options as at the end of the year | 429,835 | 5.59 | - | - | 1,663,875 | 16.82 |
| Weighted Average Remaining Contractual Life | 3.43 Years | | - | | 5.55 Years | |

April 01, 2018 to March 31, 2019

| Options - USA Plan | Equity Incentive Plan for US Employees-2011 | | Equity Incentive Plan for US Employees-2011**# | | Equity Incentive Plan for US Employees-2011## | |
|--|---|---------------------------------|--|---------------------------------|---|---------------------------------|
| | No of Options | Weighted Average Exercise Price | No of Options | Weighted Average Exercise Price | No of Options | Weighted Average Exercise Price |
| Options at the beginning of the year | 49,500 | 5.24 | - | - | 197,000 | 23.83 |
| Options granted during the year | - | - | - | - | 485,450 | 26.00 |
| Exercised during the year | - | - | - | - | 172,950 | 25.72 |
| Lapsed during the year | - | - | - | - | 14,250 | 22.95 |
| Forfeited during the year | - | - | - | - | 162,750 | 24.49 |
| Reclassification | - | - | - | - | - | - |
| Outstanding options as at the end of the year | 49,500 | 5.24 | - | - | 332,500 | 25.73 |
| Weighted Average Remaining Contractual Life | 2.39 Years | | - | | 6.20 Years | |

Happiest Minds Technologies Private Limited
Notes to Standalone financial statements for the year ended March 31, 2019

April 01, 2017 to March 31, 2018

| Options - USA Plan | Equity Incentive Plan for US Employees-2011 | | Equity Incentive Plan for US Employees-2011**# | | Equity Incentive Plan for US Employees-2011## | |
|--|---|---------------------------------|--|---------------------------------|---|---------------------------------|
| | No of Options | Weighted Average Exercise Price | No of Options | Weighted Average Exercise Price | No of Options | Weighted Average Exercise Price |
| Options at the beginning of the year | 181,000 | 3.50 | 39,875 | 6.00 | 147,000 | 11.25 |
| Options granted during the year | - | - | - | - | 872,500 | 26.00 |
| Exercised during the year | 38,500 | 2.09 | - | - | 337,500 | 20.84 |
| Lapsed during the year | 67,000 | 4.24 | 1,006 | 6.00 | - | - |
| Forfeited during the year | 63,000 | 3.67 | 1,869 | 6.00 | 485,000 | 26.00 |
| Reclassification | 37,000 | 6.00 | (37,000) | (6.00) | - | - |
| Outstanding options as at the end of the year | 49,500 | 5.24 | - | - | 197,000 | 23.83 |
| Weighted Average Remaining Contractual Life | 3.39 Years | | - | | 6.35 Years | |

**# As amended vide Board meeting held in October 20, 2014. Under the said Plan , for employees (working out of the United States America - "USA") who have been granted options the legal ownership vests with the Employees only.

As amended vide Board meeting held in June 30, 2015.

During the year the Company has granted 250,000 additional Options to Key Managerial Personnels (KMP) [refer note 30]

The Company has adopted the intrinsic value method of accounting for employee share based payments as recognised by the Guidance Note on Accounting for Employee Share Based Payment issued by the Institute of Chartered Accountants of India (ICAI).

Had compensation been determined under the fair value approach (based on Black Scholes model) as described in the Guidance Note on, "Accounting for employee share based payments" issued by ICAI, the Company's net loss and basic and diluted earnings per share would have reduced to the proforma amounts as indicated:

| Particulars | (All amounts in Indian Rupees Lacs) | |
|---|-------------------------------------|----------------|
| | March 31, 2019 | March 31, 2018 |
| Net Profit / (loss) (as reported) | 1,286 | (1,308) |
| Add: Stock based employee compensation expense (intrinsic value method) | 4 | 22 |
| Less: Stock based employee compensation expense (fair value method) | 180 | 105 |
| Pro forma Net Profit / (loss) | 1,110 | (1,391) |
| Earnings per equity share (of Rs. 2 each) - As reported | | |
| - Basic (Rs.) | 3.46 | (3.56) |
| - Diluted (Rs.) | 0.92 | Note A |
| Earnings per equity share (of Rs. 2 each) - Proforma | | |
| - Basic (Rs.) | 2.99 | (3.78) |
| - Diluted (Rs.) | 0.79 | Note A |

Note A: Potential equity shares are anti-dilutive in nature for FY 2017-18

The following assumptions were used for calculation of fair value of Options:

| | March 31, 2019 | March 31, 2018 |
|--------------------------|----------------|----------------|
| Risk free interest rate | 7.63% - 7.91% | 6.49% - 7.66% |
| Expected life of Options | 5.43 years | 5.18 years |
| Expected Volatility | 0% | 0% |
| Dividend yield | 0% | 0% |

Happiest Minds Technologies Private Limited
Notes to Standalone financial statements for the year ended March 31, 2019

Note 4 Reserves and surplus

| | (All amounts in Indian Rupees Lacs) | |
|---|-------------------------------------|----------------------|
| | March 31, 2019 | March 31, 2018 |
| Securities Premium | | |
| Balance at the beginning of the year | 31,415 | 31,084 |
| Add: Received during the year on issue of: | | |
| Equity shares | - | 161 |
| Class B non voting equity shares | - | 12 |
| Series A 14% non cumulative compulsorily convertible preference shares | 20 | 158 |
| Balance as at the end of the year | <u>31,435</u> | <u>31,415</u> |
| General Reserve | | |
| Balance at the beginning of the year | 127 | 82 |
| Add: Transfer from employee stock option reserve on forfeiture of shares | - | 45 |
| Balance as at the end of the year | <u>127</u> | <u>127</u> |
| Cash flow hedge reserve | | |
| Balance at the beginning of the year | (15) | 262 |
| Change in fair value of effective portion of outstanding derivative, net | 908 | (775) |
| Net gain / (loss) reclassified into statement of profit & loss on completion of hedge transaction | (656) | 498 |
| Balance as at the end of the year | <u>237</u> | <u>(15)</u> |
| Employee Stock Option Outstanding | | |
| Balance at the beginning of the year | 30 | 53 |
| Add: Employee stock compensation expense for the year (refer note 20) | 4 | 22 |
| Less: Transfer to general reserve on forfeiture of shares | - | (45) |
| Balance as at the end of the year | <u>34</u> | <u>30</u> |
| Deficit in Statement of Profit and Loss: | | |
| Balance at beginning of the year | (17,233) | (15,925) |
| Profit / (loss) for the year | 1,286 | (1,308) |
| Balance as at the end of the year | <u>(15,947)</u> | <u>(17,233)</u> |
| | <u><u>15,886</u></u> | <u><u>14,324</u></u> |

Note 5 Long-term borrowings

| | Non-current portion | | Current maturities | |
|---|---------------------|----------------|--------------------|----------------|
| | March 31, 2019 | March 31, 2018 | March 31, 2019 | March 31, 2018 |
| Term loans | | | | |
| Foreign currency term loan from bank (secured) [refer note (i) below] | 861 | 1,503 | 738 | 694 |
| Other loans and advances | | | | |
| Finance lease obligation (refer note (ii) below and note 32) | 294 | 311 | 246 | 325 |
| Amount disclosed under the head "other current liabilities" (note 9) | | | (984) | (1,019) |
| | <u>1,155</u> | <u>1,814</u> | <u>-</u> | <u>-</u> |

Note (i) Foreign currency term loan carries a floating interest rate of Libor+3.1%. The loan is repayable in 45 equal monthly instalments from the date of its origination, viz., May 26, 2017, with a moratorium of 3 months. The loan is secured by charge on movable assets and also by lien on fixed deposit equivalent to two months instalments. Further, floating interest on loan has been hedged through USD interest rate swap resulting in a fixed interest rate of 6.5% p.a.

Note (ii) The finance lease obligations are towards purchases of computer systems and vehicles and are secured by the assets taken on lease.

Note 6 Other long-term liabilities

| | March 31, 2019 | March 31, 2018 |
|--|----------------|----------------|
| Lease equalisation reserve | 62 | 70 |
| Deferred Consideration Payable (refer note 31) | 265 | 507 |
| | <u>327</u> | <u>577</u> |

Happiest Minds Technologies Private Limited
Notes to Standalone financial statements for the year ended March 31, 2019
Note 7 Short Term Borrowings

| | (All amounts in Indian Rupees Lacs) | |
|--|-------------------------------------|----------------|
| | March 31, 2019 | March 31, 2018 |
| Secured | | |
| Foreign currency loans repayable on demand from banks (PCFC) | 5,011 | 6,854 |
| Over draft facility with bank | 1,000 | - |
| | 6,011 | 6,854 |
| Short-term borrowing are secured to the extent of :- | | |
| Mutual funds | 603 | 603 |
| Other current assets | 5,408 | 6,251 |

Note 8 Trade payables

| | March 31, 2019 | March 31, 2018 |
|--|----------------|----------------|
| Trade payables | | |
| Total outstanding dues of micro and small enterprises | 40 | 38 |
| Total outstanding dues of creditors other than micro and small enterprises | 2,853 | 2,346 |
| | 2,893 | 2,384 |

Disclosure required under Clause 22 of Micro, Small and Medium Enterprise Development Act, 2006

The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year:

| | | |
|---|----|----|
| Principal amount due to micro and small enterprises | 39 | 37 |
| Interest due on the above | 1 | 1 |
| (i) The amount of interest paid by the buyer in terms of Section 16 of the MSMED Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year | - | - |
| (ii) The amount of interest due and payable for the period of delay in making payment (which has been paid but beyond appointed day during the year) but without adding the interest specified under the MSMED Act, 2006 | - | - |
| (iii) The amount of interest accrued and remaining unpaid at the end of each accounting year | 1 | 1 |
| (iv) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under Section 23 of the MSMED Act, 2006 | - | - |

The above disclosures are provided by the Company based on the information available with the Company in respect of the registration status of its vendors/suppliers.

Note 9 Other current liabilities

| | March 31, 2019 | March 31, 2018 |
|--|----------------|----------------|
| Current maturities of foreign currency term loan from bank (secured) | 738 | 694 |
| Current maturities of finance lease obligations (Refer Note 32) | 246 | 325 |
| Current maturities of deferred consideration payable | 300 | 300 |
| Unearned revenue | 913 | 410 |
| Employee related liabilities | 2,595 | 999 |
| Statutory dues payable | 678 | 644 |
| Lease equalization reserve | 31 | 5 |
| Derivative liability | - | 41 |
| Other liabilities | 11 | 1 |
| | 5,512 | 3,419 |

Note 10 Provisions

| | Non Current | | Current | |
|---------------------------------|----------------|----------------|----------------|----------------|
| | March 31, 2019 | March 31, 2018 | March 31, 2019 | March 31, 2018 |
| Provision for Employee benefits | | | | |
| - Gratuity (Refer Note 28) | 940 | 812 | 220 | 120 |
| - Compensated absences | - | - | 771 | 689 |
| Provision for discount | - | - | 154 | 103 |
| Provision for warranty | - | - | 7 | 7 |
| | 940 | 812 | 1,152 | 919 |

Happiest Minds Technologies Private Limited

Notes to Standalone financial statements for the year ended March 31, 2019

Note 11 Fixed Assets

(All amounts in Indian Rupees Lacs)

| | Property and equipments | | | | | | Intangible Assets | | | Total | |
|---|-------------------------|------------------------|------------------------|-------------------|------------------|------------|-------------------------|-------------------|--------------|--------------|---------------------------|
| | Own Assets | | | | Leased Assets | | Total - Tangible Assets | Own Assets | | | Total - Intangible Assets |
| | Computer systems | Furniture and fixtures | Leasehold Improvements | Office equipments | Computer systems | Vehicles | | Computer software | Goodwill | | |
| Cost or Valuation | | | | | | | | | | | |
| At April 01, 2017 | 914 | 66 | 70 | 280 | 1,254 | 418 | 3,002 | 182 | - | 182 | 3,184 |
| Additions | 73 | - | - | 26 | 160 | - | 259 | 163 | - | 163 | 422 |
| Acquired on Business Transfer [refer note 31] | 15 | 9 | - | 7 | - | - | 31 | 63 | 3,530 | 3,593 | 3,624 |
| Disposals | - | - | 41 | - | - | 148 | 189 | - | - | - | 189 |
| At March 31, 2018 | 1,002 | 75 | 29 | 313 | 1,414 | 270 | 3,103 | 408 | 3,530 | 3,938 | 7,041 |
| Additions | 49 | 1 | 39 | 6 | 255 | - | 350 | 7 | - | 7 | 357 |
| Disposals | - | - | - | 2 | 46 | 62 | 110 | - | - | - | 110 |
| At March 31, 2019 | 1,051 | 76 | 68 | 317 | 1,623 | 208 | 3,343 | 415 | 3,530 | 3,945 | 7,288 |
| Depreciation/ Amortisation | | | | | | | | | | | |
| At April 01, 2017 | 758 | 45 | 55 | 168 | 733 | 213 | 1,972 | 139 | - | 139 | 2,111 |
| Charge for the year | 100 | 11 | 11 | 50 | 352 | 74 | 598 | 89 | - | 89 | 687 |
| Disposals | - | - | 41 | - | - | 120 | 161 | - | - | - | 161 |
| At March 31, 2018 | 858 | 56 | 25 | 218 | 1,085 | 167 | 2,409 | 228 | - | 228 | 2,637 |
| Charge for the year | 80 | 9 | 13 | 41 | 284 | 49 | 476 | 106 | 761 | 867 | 1,343 |
| Disposals | - | - | - | - | 46 | 49 | 95 | - | - | - | 95 |
| At March 31, 2019 | 938 | 65 | 38 | 259 | 1,323 | 167 | 2,790 | 334 | 761 | 1,095 | 3,885 |
| Net Block | | | | | | | | | | | |
| At March 31, 2018 | 144 | 19 | 4 | 95 | 329 | 103 | 694 | 180 | 3,530 | 3,710 | 4,404 |
| At March 31, 2019 | 113 | 11 | 30 | 58 | 300 | 41 | 553 | 81 | 2,769 | 2,850 | 3,403 |

Happiest Minds Technologies Private Limited
Notes to Standalone financial statements for the year ended March 31, 2019
Note 12 Investment in subsidiary

| | (All amounts in Indian Rupees Lacs) | |
|--|-------------------------------------|----------------|
| | March 31, 2019 | March 31, 2018 |
| Investment in subsidiary | 2,340 | 2,340 |
| Less:- permanent diminution in the value (100% membership interest in Happiest Mind Technologies LLC, United States of America) | (2,340) | - |
| | <u>-</u> | <u>2,340</u> |

Note 13 Loans and advances

| | Non Current | | Current | |
|---|----------------|----------------|----------------|----------------|
| | March 31, 2019 | March 31, 2018 | March 31, 2019 | March 31, 2018 |
| Security deposits | | | | |
| Unsecured considered good | 849 | 736 | 5 | 334 |
| Doubtful | 2 | - | - | 38 |
| | <u>851</u> | <u>736</u> | <u>5</u> | <u>372</u> |
| Less: Provision for doubtful advances | 2 | - | - | 38 |
| | <u>849</u> | <u>736</u> | <u>5</u> | <u>334</u> |
| Loans and advances to related parties [refer note below] | 245 | 347 | - | - |
| Advances recoverable in cash or in kind | | | | |
| Unsecured considered good | - | - | 84 | 60 |
| Other loans and advances | | | | |
| Advance Income Tax, net of provision | 920 | 584 | - | - |
| Employee advances | - | - | 273 | 127 |
| Prepaid expenses | 24 | 25 | 500 | 453 |
| Balance with government authorities | | | | |
| - Goods and Service Tax (GST) credit receivable [Refer Note 35] | 35 | 35 | 197 | 495 |
| | <u>2,073</u> | <u>1,727</u> | <u>1,059</u> | <u>1,469</u> |

Note:-

Represents advance paid to Happiest Minds Technologies Share Ownership Plans Trust (Refer Note 30)

Note 14 Other assets

| | Non Current | | Current | |
|--|----------------|----------------|----------------|----------------|
| | March 31, 2019 | March 31, 2018 | March 31, 2019 | March 31, 2018 |
| Unsecured, considered good | | | | |
| Derivative assets | - | - | 237 | 26 |
| Interest accrued on bank deposits | - | - | 55 | 4 |
| Unbilled revenue | - | - | 1,742 | 953 |
| Non-current cash and bank balances [refer note 17] | 5,207 | 250 | - | - |
| Acquisition related receivables | - | - | - | 165 |
| | <u>5,207</u> | <u>250</u> | <u>2,034</u> | <u>1,148</u> |

Note 15 Current investments (valued at lower of cost and fair value, unless stated otherwise)

| | March 31, 2019 | March 31, 2019 | March 31, 2018 | March 31, 2018 |
|---|----------------|----------------|----------------|----------------|
| | Units# | Amount | Units# | Amount |
| Investment in mutual funds (quoted, fully paid up) | | | | |
| Birla sunlife - Short term fund - Growth | 8 | 545 | 20 | 1,350 |
| Birla sunlife - Floating rate fund short term plan - Growth | 4 | 1,000 | 4 | 1,000 |
| DHFL Pramerica - Short maturity fund - Growth | - | - | 21 | 650 |
| Franklin Templeton - TMA Super IP - Growth | - | 234 | - | 1,178 |
| HDFC - Banking & PSU Debt fund - Growth | 95 | 1,350 | 95 | 1,350 |
| HDFC - Corporate debt opportunities fund - Growth | 50 | 710 | 70 | 1,000 |
| ICICI Prudential - Flexi income plan - Growth | - | - | 3 | 1,000 |
| ICICI Prudential - short term - Growth * | 9 | 300 | 9 | 300 |
| ICICI Prudential - Regular Savings Fund - Growth | 16 | 300 | 16 | 300 |
| Kotak - Low Duration fund - Growth | - | 1,000 | - | 1,000 |
| Kotak - Medium term fund - Growth | 41 | 602 | 41 | 602 |
| L&T - Income opportunities fund - Growth ** | 102 | 2,000 | 102 | 2,000 |
| L&T - Short term income fund - Growth | 54 | 1,000 | 54 | 1,000 |
| Reliance - Medium term fund - Growth | - | - | 27 | 1,000 |
| | | <u>9,041</u> | | <u>13,730</u> |

Aggregate market value of quoted investments

9,814

13,862

Units are not presented for few funds as they are below the rounding off norms adopted by the Company

* Mutual Fund Units pledged with RBL Bank as Security towards Credit

**15,50,000 Mutual Fund Units pledged with Kotak Mahindra Bank as Security towards Credit Facilities availed by the Company.

Happiest Minds Technologies Private Limited**Notes to Standalone financial statements for the year ended March 31, 2019****Note 16 Trade receivables**

| | (All amounts in Indian Rupees Lacs) | |
|--|-------------------------------------|---------------------|
| | March 31, 2019 | March 31, 2018 |
| Unsecured | | |
| Outstanding for a period exceeding six months from the date they are due for payment | | |
| Considered good | 694 | 561 |
| Doubtful | 1,352 | 615 |
| | <u>2,046</u> | <u>1,176</u> |
| Less: Provision for doubtful receivables | <u>1,352</u> | <u>615</u> |
| | 694 | 561 |
| Other trade receivables | | |
| Considered good | 12,673 | 8,832 |
| | <u>13,367</u> | <u>9,393</u> |

Note 17 Cash and Bank balances

| | March 31, 2019 | March 31, 2018 |
|---|---------------------|---------------------|
| Cash and Cash Equivalents | | |
| Balances with banks | | |
| On current accounts | 2,366 | 1,133 |
| On Exchange Earners Foreign Currency (EEFC) accounts | 175 | 360 |
| | <u>2,541</u> | <u>1,493</u> |
| Other bank balances | | |
| Margin money deposit [refer note below] | 5,207 | 250 |
| Less: Amount disclosed under other assets [Refer note 14] | <u>(5,207)</u> | <u>(250)</u> |
| | <u>2,541</u> | <u>1,493</u> |

Note: Margin money deposits includes deposits held as lien by bank against bank guarantees and towards 2 monthly instalments payable to RBL bank on Foreign currency term loan.

Happiest Minds Technologies Private Limited**Notes to Standalone financial statements for the year ended March 31, 2019****Note 18 Revenue from operations**

(All amounts in Indian Rupees Lacs)

| | March 31, 2019 | March 31, 2018 |
|------------------|-----------------------|-----------------------|
| Sale of services | 58,920 | 44,090 |
| Sale of licenses | 638 | 275 |
| | 59,558 | 44,365 |

Note 19 Other Income

| | March 31, 2019 | March 31, 2018 |
|--|-----------------------|-----------------------|
| Interest income from: | | |
| Deposits with banks | 225 | 17 |
| Income tax refund | - | 54 |
| Others | 7 | - |
| Net gain on sale of current investments | 131 | 971 |
| Provision no longer required written off | 19 | - |
| Foreign exchange gain, net | - | 587 |
| Miscellaneous income | 40 | 29 |
| | 422 | 1,658 |

Note 20 Employee benefits expense

| | March 31, 2019 | March 31, 2018 |
|--|-----------------------|-----------------------|
| Salaries and wages | 35,115 | 32,402 |
| Contributions to provident fund and other contribution plans (note - 28) | 1,689 | 1,643 |
| Gratuity expense (note - 28) | 348 | 262 |
| Employee stock option scheme | 4 | 22 |
| Staff welfare expenses | 155 | 153 |
| | 37,311 | 34,482 |

Note 21 Finance costs

| | March 31, 2019 | March 31, 2018 |
|------------------------|-----------------------|-----------------------|
| Interest expense on: | | |
| Borrowings | 575 | 465 |
| Lease obligations | 56 | 55 |
| Deferred consideration | 58 | 72 |
| | 689 | 592 |

Note 22 Depreciation and amortisation expense

| | March 31, 2019 | March 31, 2018 |
|-----------------------------------|-----------------------|-----------------------|
| Depreciation on tangible assets | 476 | 598 |
| Amortisation on intangible assets | 106 | 89 |
| | 582 | 687 |

Happiest Minds Technologies Private Limited

Notes to Standalone financial statements for the year ended March 31, 2019

Note 23 Other expenses

(All amounts in Indian Rupees Lacs)

March 31, 2019 March 31, 2018

| | | |
|---|---------------|---------------|
| Power and fuel | 391 | 429 |
| Rent including lease rentals (Refer note 32) | 1,776 | 1,843 |
| Repairs and maintenance | | |
| - Buildings | 170 | 218 |
| - Equipments | 41 | 44 |
| - Others | 226 | 218 |
| Insurance | 26 | 28 |
| Rates and taxes | 29 | 60 |
| Cash discount | 37 | 109 |
| Travelling expenses | 2,535 | 2,345 |
| Expenditure towards Corporate Social Responsibility (CSR) activities [refer note A below] | 5 | 15 |
| Sub-contractor charges | 6,497 | 3,256 |
| Communication expense | 260 | 335 |
| Legal and professional charges [refer note B below] | 470 | 440 |
| Recruitment expenses | 263 | 209 |
| Marketing expenses | 269 | 250 |
| Commission paid | 240 | 289 |
| Software license cost | 1,267 | 1,078 |
| Exchange differences (net) | 885 | - |
| Loss on disposal of fixed asset | 5 | - |
| Provision for doubtful debts (net) | 719 | 32 |
| Acquisition related receivables written off | 165 | - |
| Miscellaneous expenses | 250 | 233 |
| | 16,526 | 11,431 |

A .Corporate Social Responsibility (CSR) Expenditure :-

March 31, 2019 March 31, 2018

- (a) Gross amount required to be spent by the Company during the year
- (b) Amount spent during the year on -

| Particulars | In Cash** | Yet to be paid in Cash** | Total** |
|---|-----------|--------------------------|----------|
| Construction / Acquisition of any asset | - | - | - |
| | (-) | (-) | (-) |
| On purposes other than above | 5 | - | 5 |
| | (15) | (-) | (15) |
| Total | 5 | - | 5 |
| | (15) | (-) | (15) |

** Amount in brackets relate to Previous Year.

B. Payment to auditor

March 31, 2019 March 31, 2018

| | | |
|-------------------------------------|-----------|-----------|
| As Auditor : | | |
| Statutory audit fee | 20 | 18 |
| Tax audit fee | 1 | 1 |
| In other capacity : | | |
| Other services (certification fees) | 5 | 2 |
| Reimbursement of expenses | 2 | 2 |
| | 28 | 23 |

Happiest Minds Technologies Private Limited
Notes to Standalone financial statements for the year ended March 31, 2019

24 Contingent liabilities, Capital and other commitments

(All amounts in Indian Rupees Lacs)

March 31, 2019 **March 31, 2018**

a Guarantees

i) Guarantees given by banks on behalf of the Company for contractual obligations of the Company 460 396

b Other claims against company not provided for in books

i) The Company had entered into Membership Interest Purchase agreement on 29th May 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 INR 1,001 Lacs towards shortfall in working capital and accounts receivable for which the Company 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 INR 631 Lacs and have made a counterclaim of INR 5,584 Lacs for breach of earn-out/contingent payment. The Company'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.

March 31, 2019 **March 31, 2018**

c Capital Commitments

Commitment towards purchase of capital assets 186 -

d There are numerous interpretative issues relating to the Supreme Court (SC) judgement on PF dated 28th February, 2019. As a matter of caution, the Company has taken cognizance of the matter on a prospective basis from the date of the SC order. The Company will update its provision if any required, on receiving further clarity on the subject.

25 Value of imports calculated on C.I.F. basis (on accrual basis)

March 31, 2019 **March 31, 2018**

Capital goods 149 68

26 Transactions in foreign currency

March 31, 2019 **March 31, 2018**

(a) Earnings in foreign currency

| | | |
|-------------------------------|---------------|---------------|
| Revenue from sale of services | 51,708 | 38,845 |
| Revenue from sale of licenses | 451 | 118 |
| Other income | 38 | - |
| | 52,197 | 38,963 |

(b) Expenditure in foreign currency

| | | |
|---------------------------|---------------|---------------|
| Employee benefit expenses | 8,790 | 7,035 |
| Sub contractor charges | 5,249 | 2,418 |
| Professional fees | 113 | 128 |
| Foreign travel | 1,396 | 1,231 |
| Marketing expenses | 450 | 446 |
| Cash discount | 31 | 103 |
| Software license cost | 401 | 218 |
| Other expenses | 1,725 | 635 |
| | 18,155 | 12,214 |

27 Details on derivative instruments and Foreign currency exposures

i) The Company is exposed to market risk which includes foreign currency risk and interest rate risk. The Company's senior management oversees the management of these risks. The Company's senior management ensures that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the company's policies and risk objectives. All derivative activities for risk management purposes are carried with requisite approvals, experience and supervision. It is the company's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

The Company enters into derivative financial instruments with banks. Interest rate swaps and foreign exchange forward contracts are valued using valuation techniques, which employs the use of market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.

Cash flow hedges

Foreign currency risk

Foreign exchange forward contracts measured at fair value and designated as hedging instruments in cash flow hedges of forecast sales in US dollar and EUR. These forecast transactions are highly probable, and is based on the Company's total expected sales in US dollar and EUR, respectively.

The Company has outstanding forward exchange contract to sell US dollars 75 lacs (INR 5,153 lacs) and EUR 5 lakhs (INR 350 lacs) (31 March 2018: US\$ 167 lacs, INR 10,846 lakhs and EUR 7 lacs, INR 524 lacs) to cover itself from movement in the foreign currency risk from highly probable sales. These contracts are expected to occur in the next year. The fair value gains of such instruments as at 31 March 2019 is INR 221 lacs (31 March 2018: INR 17 lacs)

Further the Company has also entered into interest rate swap arrangement with banks to swap variable interest designated as LIBOR + margin with a fixed rate of interest for the outstanding foreign currency term loan. The fair value gains of such instruments as at 31 March 2019 is INR 16 lacs (31 March 2018: Loss INR 32 lacs)

ii) Details of foreign currency exposures as per the Guidance Note on Accounting for derivative contracts

The details of foreign currency exposures disclosed below consists of all foreign currency assets and liabilities. The Company has designated derivative forward contracts entered into as hedging instruments. 'Hedges by derivative contracts' disclosed below represent value of contracts whose maturity coincides with the tenure of the underlying exposure

| FCY | Particulars | March 31, 2019 | | March 31, 2018 | |
|-----|---|-----------------|-----------------|-----------------|-----------------|
| | | Amt in FCY lacs | Amt in INR Lacs | Amt in FCY lacs | Amt in INR Lacs |
| USD | Receivables | 147 | 10,193 | 113 | 7,360 |
| | Other monetary assets | 16 | 1,114 | 17 | 1,083 |
| | Total (A) | 163 | 11,307 | 130 | 8,443 |
| | Hedged by derivative contracts (B) | 75 | 5,153 | 167 | 10,846 |
| | Unhedged receivables (C) = (A) - (B) | 88 | 6,154 | - | - |
| | Borrowings | 96 | 6,610 | 139 | 9,051 |
| EUR | Other monetary liabilities | 41 | 2,833 | 19 | 1,214 |
| | Unhedged payables | 137 | 9,443 | 158 | 10,265 |
| | Receivables | 5 | 417 | 11 | 859 |
| | Other monetary assets ** | 1 | 11 | - | 10 |
| | Total (A) | 6 | 428 | 11 | 869 |
| | Hedged by derivative contracts (B) | 5 | 350 | 7 | 524 |
| GBP | Unhedged receivables (C) = (A) - (B) | 1 | 78 | 4 | 345 |
| | Other monetary liabilities | 1 | 92 | 1 | 58 |
| | Unhedged payables | 1 | 92 | 1 | 58 |
| | Receivables | 13 | 1,194 | 6 | 526 |
| | Other monetary assets | 1 | 134 | 1 | 67 |
| | Total (A) | 14 | 1,328 | 7 | 593 |
| GBP | Hedged by derivative contracts (B) | - | - | - | - |
| | Unhedged receivables (C) = (A) - (B) | 14 | 1,328 | 7 | 593 |
| | Other monetary liabilities | 6 | 527 | 5 | 418 |
| | Unhedged payables | 6 | 527 | 5 | 418 |

** Represents the figures below the rounding off norms adopted by the Company

28 Employee benefit plans

i) Defined Contribution Plan:

The Company has recognised Rs.1,689 lacs (Previous year: Rs.1,643 lacs) as expense in the Statement of Profit and Loss in respect of defined contributions to provident fund and other contribution plans, which is disclosed under 'Contribution to Provident Funds and other contribution plans' in Note 20

ii) Defined Benefit Plan (funded):

The Company has a defined benefit gratuity plan as per The Payment of Gratuity Act, 1972 (included as part of Salaries and Wages in Note 20 Employee benefits expense) to its employees under defined benefit plans. The following tables summarize the components of net benefit expense recognized in the statement of profit and loss and the funded status and amounts recognized in the balance sheet for the respective plans

| Balance sheet Particulars | (All amounts in Indian Rupees Lacs) | |
|--|-------------------------------------|-----------------------|
| | March 31, 2019 | March 31, 2018 |
| Fund Balance | | |
| Defined benefit obligation | 1,200 | 969 |
| Fair value of plan assets | 40 | 37 |
| Plan Liability | <u>1,160</u> | <u>932</u> |

The change in benefit obligation and funded status of the gratuity plan is as follows:

Change in defined benefit obligations (DBO) during the year

| | | |
|--|--------------|------------|
| Present value of DBO at beginning of the year | 969 | 665 |
| Current service cost | 236 | 209 |
| Liability transferred on acquisition | - | 144 |
| Interest cost | 70 | 44 |
| Actuarial (gains) | (3) | (19) |
| Experience adjustment | 47 | 30 |
| Benefits paid | (119) | (104) |
| Present value of DBO at the end of the year | <u>1,200</u> | <u>969</u> |

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Happiest Minds Technologies Private Limited

Notes to Standalone financial statements for the year ended March 31, 2019

(All amounts in Indian Rupees Lacs)

| | March 31, 2019 | March 31, 2018 |
|---|----------------|----------------|
| Changes in Fair Value of Plan assets | | |
| Fair Value of Plan assets at the beginning of the year | 37 | 34 |
| Expected return on plan assets | 3 | 2 |
| Actuarial (loss) | (1) | (0) |
| Actual contribution | 120 | 105 |
| Benefits paid | (119) | (104) |
| Fair Value of Plan assets at the end of the year | 40 | 37 |

Statement of profit and loss

Components of net benefit cost

| | | |
|---|------------|------------|
| Current service cost | 236 | 209 |
| Interest cost | 70 | 44 |
| Expected return on planned asset | (3) | (2) |
| Experience adjustment | 47 | 30 |
| Net actuarial (gain) recognised during the year | (2) | (19) |
| Net Gratuity Cost | 348 | 262 |
| Actual return on plan asset | (2) | (2) |

Amounts recognized in current year and previous 4 years.

| | March 31, 2019 | March 31, 2018 | March 31, 2017 | March 31, 2016 | March 31, 2015 |
|--|----------------|----------------|----------------|----------------|----------------|
| Defined benefit obligation | 1,200 | 969 | 665 | 369 | 187 |
| Plan assets | 40 | 37 | 34 | - | - |
| Surplus/(deficit) | (1,160) | (932) | (631) | (369) | (187) |
| Experience adjustments on plan liabilities gain/(loss) | 47 | 30 | 92 | 67 | 55 |
| Experience adjustments on plan assets gain/(loss)*** | (1) | (0) | 0 | - | - |

Actuarial assumptions

| | March 31, 2019 | March 31, 2018 |
|--------------------------------|----------------|----------------|
| Discount rate | 6.76% | 7.18% |
| Expected return on plan assets | 6.76% | 7.18% |
| Salary escalation | 9.00% | 8% |
| Attrition | 28% | 23% |
| Average Past Service | 2.52 years | 2.52 years |
| Retirement Age | 58 years | 58 years |

*** Represents the figures below the rounding off norms adopted by the Company

Notes

(a) The Company evaluates these assumptions based on its long-term plans of growth and industry standards and the expected contribution to the fund during the year ending March 31, 2020, is approximately Rs.220 lacs.

(b) The nature of allocation of the fund is only in debt based mutual funds of high credit rating.

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

29 Segment Reporting

The primary segment reporting format is determined to be business segments as the Company's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Company has structured its business and its financial reporting to be aligned to market needs. Accordingly, the Company has three reportable business segments as described below:

Infrastructure Management & Security Services (IMSS):

Infrastructure Management and Security Solutions (IMSS) group delivers integrated end-to-end infrastructure and security solutions with specialization in cloud, virtualization and mobility across a multitude of industry verticals and geographies. The group provides advisory, transformation, managed & hosted services and secure intelligence solutions to clients. 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.

Happiest Minds Technologies Private Limited

Notes to Standalone financial statements for the year ended March 31, 2019

Digital Business Solutions (DBS):

Digital Business Solutions group delivers high value, cost effective enterprise applications and customised solutions that enable organizations to be smarter and accelerate business transformations. The group provides advisory, design & 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):

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

A. Primary Segment

| April 1, 2018 to March 31, 2019 | | (All amounts in Indian Rupees Lacs) | | | |
|---|--------------|-------------------------------------|---------------|---------------|--|
| Particulars | IMSS | DBS | PES | Total | |
| Segment revenues | 13,121 | 18,410 | 28,027 | 59,558 | |
| Segment results | 2,246 | 4,221 | 11,682 | 18,149 | |
| Unallocable expenses {Refer (ii) below} | | | | (12,913) | |
| Unallocable income {Refer (ii) below} | | | | 422 | |
| Operating profit | | | | 5,658 | |
| Depreciation / amortisation | | | | (582) | |
| Finance costs | | | | (689) | |
| Impairment of goodwill | | | | (761) | |
| Diminution in value of investment in subsidiary | | | | (2,340) | |
| Profit before taxes | | | | 1,286 | |
| Tax expense | | | | - | |
| Profit after taxes | | | | 1,286 | |
| Segment assets {Refer (i) below} | 4,103 | 3,810 | 7,196 | 15,109 | |
| Unallocated assets | | | | 23,633 | |
| Total Assets | 4,103 | 3,810 | 7,196 | 38,742 | |
| Segment liabilities {Refer (i) below} | 57 | 681 | 175 | 913 | |
| Unallocated liabilities | | | | 37,829 | |
| Total Liabilities | 57 | 681 | 175 | 38,742 | |
| Other segment information | | | | | |
| Capital Expenditure | | | | 357 | |
| Depreciation and amortisation expense | | | | 582 | |
| Provision for doubtful debts / advances (net) no longer required written back | | | | 719 | |

| April 1, 2017 to March 31, 2018 | | IMSS | DBS | PES | Total |
|---|--------------|--------------|--------------|----------------|--------------|
| Segment revenues | 9,963 | 13,324 | 21,078 | 44,365 | |
| Segment results | 696 | 770 | 6,490 | 7,956 | |
| Unallocable expenses {Refer (ii) below} | | | | (9,643) | |
| Unallocable income {Refer (ii) below} | | | | 1,658 | |
| Operating profit | | | | (29) | |
| Depreciation / amortisation | | | | (687) | |
| Finance costs | | | | (592) | |
| Profit before taxes | | | | (1,308) | |
| Tax expense | | | | - | |
| Profit after taxes | | | | (1,308) | |
| Segment assets {Refer (i) below} | 2,166 | 3,061 | 5,119 | 10,346 | |
| Unallocated assets | | | | 25,622 | |
| Total Assets | 2,166 | 3,061 | 5,119 | 35,968 | |
| Segment liabilities {Refer (i) below} | 102 | 198 | 110 | 410 | |
| Unallocated liabilities | | | | 35,558 | |
| Total Liabilities | 102 | 198 | 110 | 35,968 | |
| Other segment information | | | | | |
| Capital expenditure | | | | 422 | |
| Depreciation and amortisation expense | | | | 687 | |
| Provision for doubtful debts / advances (net) no longer required written back | | | | 32 | |

Happiest Minds Technologies Private Limited**Notes to Standalone financial statements for the year ended March 31, 2019****B. Secondary Segment**

The Company's secondary segments are the geographic distribution of activities. Revenue and receivables are specified by location of customers while the other geographic information is specified by location of the assets. The following tables present revenue, expenditure and certain asset information regarding the Company's geographical segments:

(All amounts in Indian Rupees Lacs)

| Revenues (Net) | March 31, 2019 | March 31, 2018 |
|----------------|----------------|----------------|
| | USA | 44,831 |
| Europe | 5,359 | 5,294 |
| India | 7,517 | 5,541 |
| Others | 1,851 | 1,611 |
| | 59,558 | 44,365 |

The following is the carrying amount of assets by geographical area in which the assets are located:

| | Carrying amount of assets | | Capital expenditure | |
|--------|---------------------------|----------------|---------------------|----------------|
| | March 31, 2019 | March 31, 2018 | March 31, 2019 | March 31, 2018 |
| USA | 9,366 | 6,545 | 10 | 20 |
| Europe | 1,541 | 1,501 | - | - |
| India | 27,476 | 27,562 | 347 | 402 |
| Others | 359 | 360 | - | - |
| | 38,742 | 35,968 | 357 | 422 |

(i) Assets (other than accounts receivable and unbilled Revenue) and liabilities (other than unearned revenue) of the Company are used interchangeably between segments, and the management believes that it is currently not practical to provide segment disclosures relating to these assets and liabilities since a meaningful segregation is not possible.

(ii) The expense / income that are not directly attributable and that cannot be allocated to a business segment on a reasonable basis are shown as unallocable expenses.

30 Related parties disclosure**(i) Related Party where control exists:**

Happiest Minds Technology LLC (w.e.f 1st April 2017)

(ii) Details of Related Parties under AS-18 with whom transactions have taken place during the year.

| Description of Relationship | Name of Related Parties |
|---|--|
| Key Management Personnel (KMP) | 1. Ashok Soota (Executive Chairman) 2. Venkatraman N (Director) w.e.f January 16, 2018 3. Girish Paranjpe (Director) w.e.f June 27, 2017 4. Sashi Kumar (Managing Director) until February 01, 2018 |
| Trust in which key management personnel are the Board of Trustees | Happiest Minds Technologies Share Ownership Plans Trust |

(iii) Additional Parties as per Companies Act 2013, with whom transaction has taken place during the year.

| Description of Relationship | Name of Related Parties |
|-----------------------------|-------------------------|
| Chief Financial Officer | Venkatraman N |

A. Transactions with Happiest Minds Technologies LLC:

| Particulars | March 31, 2019 | March 31, 2018 |
|---------------------------------|----------------|----------------|
| 1. Sale of services | - | 1,209 |
| 2. Amount owed by related party | | |
| (i) Accounts receivable | 193 | 146 |
| (ii) Unbilled revenues | - | 107 |

Happiest Minds Technologies Private Limited**Notes to Standalone financial statements for the year ended March 31, 2019****B. Remuneration to Key managerial personnel [refer note (i) below]**

(All amounts in Indian Rupees Lacs)

| Name | Description | March 31, 2019 | March 31, 2018 |
|------------------|-------------------------|----------------|----------------|
| Ashok Soota | Salary and perquisites | 88 | 85 |
| Sashi Kumar | Salary and perquisites | - | 243 |
| | ESOP Costs | - | 19 |
| Girish Paranjape | Director's sitting fees | 12 | 7 |
| Venkatraman N | Salary and perquisites | 79 | 76 |
| | ESOP Costs | 4 | 3 |

(i) As the future liability for gratuity and leave encashment is provided on an actuarial basis for the Company as a whole, the amount pertaining to the key managerial personnel is not ascertainable and, therefore, not included above.

C. Other Transactions

| Name | Description | March 31, 2019 | March 31, 2018 |
|---|---|----------------|----------------|
| Ashok Soota | Personal guarantee given for total loan facility sanctioned for the Company | - | 1,500 |
| Girish Paranjape | Issue of 100,000 (previous year: 80,000) Employee stock options at Rs. 26 | - | - |
| Venkatraman N | Issue of 150,000 (previous year: 50,000) Employee stock options at Rs. 26 | - | - |
| Happiest Minds Technologies Share Ownership Plans Trust | Advances given / Receivable (Net) | 245 | 347 |

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Happiest Minds Technologies Private Limited**Notes to Standalone financial statements for the year ended March 31, 2019****31 Goodwill on acquisition of business**

- A. The Company had entered into Business Transfer agreement with OSS Cube Solutions Limited on 29th May 2017 to acquire certain assets and liabilities as detailed below. The Company had completed the purchase price allocation in respect of the acquisition in the previous year. The following table represent the final allocation of purchase price: -

(All amounts in Indian Rupees Lacs)

| Particulars | Amounts |
|--|--------------|
| Purchase consideration (A) | 2,130 |
| Book value of assets transferred: | |
| Tangible assets | 31 |
| Intangible assets - computer software | 63 |
| Long term loans & advances | 37 |
| Trade receivables | 85 |
| Total Assets (B) | 216 |
| Provision for gratuity | 144 |
| Provision for compensated absences | 41 |
| Total liabilities (C) | 185 |
| Net Assets (D=B-C) | 31 |
| Goodwill (A-D) | 2,099 |

The excess of purchase consideration over the fair value of the net assets acquired is recognized as goodwill. The Company has not acquired any identifiable intangible assets pursuant to above acquisition. The Company will test for impairment of Goodwill on an annual basis.

- B The Company had entered into Business Transfer Agreement ('BTA') with Cupola Technology Pvt. Ltd on 9th May 2017 to acquire its business for total consideration amounting to Rs. 1,585 lakhs which includes upfront payment and deferred consideration payable on achievement of revenue, EBITDA and PBT targets provided in the BTA. The Company has not acquired any assets and liabilities from the seller. The Company has accounted for present value of total purchase consideration amounting to Rs. 1,431 lakhs as goodwill. Further, the Company has not acquired any identifiable intangible assets pursuant to above acquisition. The Company will test for impairment of Goodwill on an annual basis.
- C During the year, the Company has carried annual impairment testing for both the above acquisitions as at December 31, 2018. Each of these acquisitions was considered as a separate cash-generating unit's (CGU) for the purpose of impairment assessment. The Company based on detailed valuation by an independent external valuer has identified recoverable value of each of the CGU. Accordingly an impairment amounting to INR 761 lacs was accounted in the statement of profit and loss during the year against goodwill accounted pursuant to acquisition of OSS Cube Solutions Limited.

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32 Leases

(i) Finance lease: Company as lessee

The Company has entered into finance lease arrangements for Computer systems and Vehicles, which provide the Company an option to purchase the assets at the end of the lease period. These lease arrangements range for a period between 36 and 60 months. However, there is no escalation clause. Future minimum lease payments (MLP) under finance leases together with the present value of the net MLP are as follows:

(All amounts in Indian Rupees Lacs)

| Particulars | March 31, 2019 | | March 31, 2018 | |
|---|------------------------|---|------------------------|---|
| | Minimum Lease payments | Present Value of Minimum Lease Payments | Minimum Lease payments | Present Value of Minimum Lease Payments |
| Not later than one year | 289 | 246 | 367 | 325 |
| Later than one year but not later than five years | 331 | 294 | 340 | 311 |
| Total Minimum Lease Payment | 620 | 540 | 707 | 636 |
| Less: Amounts representing finance charges | 80 | - | 71 | - |
| Present Value of Minimum Lease Payments | 540 | 540 | 636 | 636 |
| Not later than one year | 246 | | 325 | |
| Later than one year and not later than five years | 294 | | 311 | |

(ii) Operating lease: Company as lessee

The Company takes properties for its offices premises under cancellable and non-cancellable operating lease agreements. These agreements are executed for periods ranging from 4 to 5 years with a non-cancellable period at the beginning of the agreement ranging from 2 to 4 years and renewable by mutual consent, at the end of lease period. The future minimum rental payments in respect of the non-cancellable leases are as follows:

| Particulars | March 31, 2019 | March 31, 2018 |
|---|----------------|----------------|
| Not later than one year | 1,231 | 1,180 |
| Later than one year and not later than five years | 1,046 | 1,388 |

33 Earnings per share [EPS]

The following reflects the profit and share data used in the basic and diluted EPS computations:

| Particulars | March 31, 2019 | March 31, 2018 |
|---|----------------|----------------|
| Profit after tax (Amount in INR Lacs) | 1,286 | (1,308) |
| Weighted number of shares considered for EPS : | | |
| Basic EPS | 37,164,815 | 36,772,762 |
| Dilutive EPS | 140,234,951 | Note A |
| Basic (amount in INR) [nominal value per share Rs.2 (previous year : Rs 2)] | 3.46 | (3.56) |
| Diluted (amount in INR) [nominal value per share Rs. 2 (previous year : Rs. 2)] | 0.92 | Note A |

Note A : Potential equity shares are anti-dilutive in nature for FY 2017-18

34 Taxes on Income

As at March 31, 2019 the Company has a net deferred tax asset mainly relating carry forward business losses which have not been recognized in these accounts in the absence of virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

Happiest Minds Technologies Private Limited

Notes to Standalone financial statements for the year ended March 31, 2019

35 Service Tax Refund Receivable and Goods & Service Tax (GST) Credit

The Company has recognised Service tax refund receivable aggregating to Rs.35 lacs (2018: Rs.35 lacs). During previous years, the Company had filed refund claims aggregating to Rs.157 lacs with the revenue authorities and received Rs.122 lacs during the previous year and the balance receivable were disputed by the authorities. The Company had received favourable order from the Commissioner of Central Tax (A) against the aforementioned receivables. But the Commissioner of Service tax has issued show cause notice seeking further details to process the refund claim. The Company replied to show cause notice on 4th March 2019 with details sought. The management is confident that the balance refund claim will be received. Therefore, the Service tax refund receivable as at the balance sheet date is considered good and recoverable.

36 Subsequent Event

The members of the Company at their Extraordinary General Meeting held on April 16, 2019 by way of special resolution resolved, to write off the accumulated losses of the Company amounting to Rs.17,233 lacs, being the deficit in statement of Profit & Loss as on March 31, 2018, against the Securities Premium by way of a scheme of capital reduction ("Scheme"). The Scheme is subject to regulatory and other approvals.

As per AS-4 "Contingencies and events occurring after balance sheet date", Events occurring after the balance sheet date which do not affect the figures stated in the financial statements would not normally require disclosure in the financial statements although they may be of such significance that they may require a disclosure in the report of the approving authority to enable users of financial statements to make proper evaluations and decisions. Hence, no adjustment has been made in the financial statement.

37 Previous year numbers are regrouped / reclassified wherever necessary to conform to current year's classification.

For S.R. BATLIBOI & ASSOCIATES LLP

Firm Registration No (FRN): 101049W/E300004
CHARTERED ACCOUNTANTS

**For and on behalf of the Board of Directors of
Happiest Minds Technologies Private Limited**

per Sumit Mehra
Partner
Membership No. 096547

Ashok Soota
Executive Chairman
DIN 00145962

Venkatraman. N
Director & CFO
DIN 01856347

Praveen Darashankar
Company Secretary
FCS No.: F6706

Place: Bangalore
Date: June 21, 2019

Place: Bangalore
Date: June 21, 2019

INDEPENDENT AUDITOR'S REPORT

To the Members of Happiest Minds Technologies Private Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Happiest Minds Technologies Private Limited (hereinafter referred to as "the Holding Company"), its subsidiary (the Holding Company and its subsidiary together referred to as "the Group") comprising of the consolidated Balance sheet as at March 31 2019, the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013, as amended ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group, as at March 31, 2019, their consolidated profit and their consolidated cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the consolidated financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Consolidated Financial Statements' section of our report. We are independent of the Group in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Other Information

The Holding Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Board of Director's report, but does not include the consolidated financial statements and our auditor's report thereon.]

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation and presentation of these consolidated financial statements in terms of the requirements of the Act that give a true and fair view of the consolidated financial position, consolidated financial performance including consolidated cash flows of the

Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read together with paragraph 7 of the Companies (Accounts) rules 2014 and the (Accounting Standard) Amendment Rules, 2016, as amended.. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those respective Board of Directors of the companies included in the Group are also responsible for overseeing the financial reporting process of the Group.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Holding Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group of which we are the independent auditors and whose financial information we have audited, to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors.

We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, based on our audit we report, to the extent applicable, that:

- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements;
- (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidation of the financial statements have been kept so far as it appears from our examination of those books;
- (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss including the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the consolidated financial statements;
- (d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read together with paragraph 7 of the Companies (Accounts) rules 2014 and the (Accounting Standard) Amendment Rules, 2016, as amended;
- (e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2019 taken on record by the Board of Directors of the Holding Company, none of the directors of the Group's companies incorporated in India is disqualified as on March 31, 2019 from being appointed as a director in terms of Section 164 (2) of the Act;
- (f) With respect to the adequacy and the operating effectiveness of the internal financial controls over financial reporting with reference to these consolidated financial statements of the Holding Company, refer to our separate Report in "Annexure 1" to this report;
- (g) The provisions of section 197 read with Schedule V of the Act are not applicable to the Group for the year ended March 31, 2019;
- (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The consolidated financial statements disclose the impact of pending litigations on its consolidated financial position of the Group in its consolidated financial statements – Refer Note 24 and 33 to the consolidated financial statements;

- ii. The Group did not have any material foreseeable losses in long-term contracts including derivative contracts during the year ended March 31, 2019;
- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company during the year ended March 31, 2019.

For **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

Sd/-

per Sumit Mehra
Partner
Membership Number: 096547

Place of Signature: Bengaluru
Date: June 21, 2019

ANNEXURE 1 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE CONSOLIDATED FINANCIAL STATEMENTS OF HAPPIEST MINDS TECHNOLOGIES PRIVATE LIMITED

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

In conjunction with our audit of the consolidated financial statements of Happiest Minds Technologies Private Limited as of and for the year ended March 31, 2019, we have audited the internal financial controls over financial reporting of Happiest Minds Technologies Private Limited (hereinafter referred to as the "Holding Company"), as of that date.

Management's Responsibility for Internal Financial Controls

The Board of Directors of the Holding Company, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the Holding Company's internal financial controls over financial reporting with reference to these consolidated financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, both, issued by Institute of Chartered Accountants of India, and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting with reference to these consolidated financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting with reference to these consolidated financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these consolidated financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls over financial reporting with reference to these consolidated financial statements.

Meaning of Internal Financial Controls Over Financial Reporting With Reference to these Consolidated Financial Statements

A Company's internal financial control over financial reporting with reference to these consolidated financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting with reference to these consolidated financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting With Reference to these Consolidated Financial Statements

Because of the inherent limitations of internal financial controls over financial reporting with reference to these consolidated financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting with reference to these consolidated financial statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to these consolidated financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Holding Company has maintained in all material respects, adequate internal financial controls over financial reporting with reference to these consolidated financial statements and such internal financial controls over financial reporting with reference to these consolidated financial statements were operating effectively as at March 31, 2019, based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

Sd/-

per Sumit Mehra
Partner
Membership Number: 096547

Place of Signature: Bengaluru
Date: June 21, 2019

Happiest Minds Technologies Private Limited

Registered Office: 53/1-4, Madivala (Next to Madivala Police station), Bangalore - 560068

Consolidated Balance Sheet as at March 31, 2019

(All amounts in Indian Rupees Lacs)

| | Notes | March 31, 2019 | March 31, 2018 |
|--|--------------|----------------|----------------|
| EQUITY AND LIABILITIES | | | |
| Shareholders' funds | | | |
| Share capital | 3 | 4,866 | 4,865 |
| Reserves and surplus | 4 | 15,812 | 13,671 |
| | | 20,678 | 18,536 |
| Non-current liabilities | | | |
| Long-term borrowings | 5 | 1,155 | 1,814 |
| Other long-term liabilities | 6 | 327 | 583 |
| Long-term provisions | 10 | 940 | 812 |
| | | 2,422 | 3,209 |
| Current liabilities | | | |
| Short-term borrowings | 7 | 6,011 | 6,854 |
| Trade payables | 8 | | |
| Total outstanding dues of micro and small enterprises | | 40 | 38 |
| Total outstanding dues of creditors other than micro and small enterprises | | 2,824 | 2,459 |
| Other current liabilities | 9 | 5,507 | 3,446 |
| Short-term provisions | 10 | 1,152 | 923 |
| | | 15,534 | 13,720 |
| | TOTAL | 38,634 | 35,465 |
| ASSETS | | | |
| Non-current assets | | | |
| Fixed assets | | | |
| Property and equipments | 11 | 554 | 696 |
| Intangible assets | 11 | 2,850 | 3,710 |
| Capital work in progress | | 17 | 14 |
| Goodwill on consolidation | 12 | - | 992 |
| Long-term loans and advances | 13 | 2,073 | 1,739 |
| Other non-current assets | 14 | 5,207 | 250 |
| | | 10,701 | 7,401 |
| Current assets | | | |
| Current investments | 15 | 9,041 | 13,730 |
| Trade receivables | 16 | 13,345 | 10,151 |
| Cash and bank balance | 17 | 2,563 | 1,623 |
| Short-term loans and advances | 13 | 950 | 1,520 |
| Other current assets | 14 | 2,034 | 1,040 |
| | | 27,933 | 28,064 |
| | TOTAL | 38,634 | 35,465 |
| Summary of significant accounting policies | 2(c) | | |

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S.R. BATLIBOI & ASSOCIATES LLPFirm Registration No (FRN): 101049W/E300004
CHARTERED ACCOUNTANTS**For and on behalf of the Board of Directors of
Happiest Minds Technologies Private Limited****per Sumit Mehra**Partner
Membership No. 096547**Ashok Soota**Executive Chairman
DIN 00145962**Venkatraman. N**Director & CFO
DIN 01856347**Praveen Darashankar**Company Secretary
FCS No.: F6706Place: Bangalore
Date: June 21, 2019Place: Bangalore
Date: June 21, 2019

Happiest Minds Technologies Private Limited

Registered Office: 53/1-4, Madivala (Next to Madivala Police station), Bangalore - 560068

Consolidated statement of Profit & Loss for the Year ended March 31, 2019

(All amounts in Indian Rupees Lacs)

| | Note | March 31, 2019 | March 31, 2018 |
|---|------|----------------|----------------|
| Revenue from operations (net) | 18 | 59,558 | 46,761 |
| Other income | 19 | 422 | 1,672 |
| Total Revenue | | 59,980 | 48,433 |
| Expenses: | | | |
| Purchase of licenses for resale | | 485 | 335 |
| Employee benefits expense | 20 | 37,615 | 35,254 |
| Finance costs | 21 | 690 | 606 |
| Depreciation and amortisation expense | 22 | 582 | 687 |
| Other expenses | 23 | 17,034 | 13,527 |
| Total Expenses | | 56,406 | 50,409 |
| Profit before tax and exceptional items | | 3,574 | (1,976) |
| Exceptional items: | | | |
| Impairment of goodwill (refer note 29) | | 761 | - |
| Impairment of goodwill on consolidation (refer note 12) | | 986 | - |
| Profit before tax | | 1,827 | (1,976) |
| Tax expense: | | | |
| Current tax | | - | - |
| Deferred tax | | - | - |
| Profit after tax | | 1,827 | (1,976) |
| Earnings per equity share (of Rs. 2 each) | | | |
| Basic (Refer Note 31) (Rs.) | | 4.92 | (5.37) |
| Diluted (Refer Note 31) (Rs.) | | 1.30 | - |
| Summary of significant accounting policies | 2(c) | | |

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S.R. BATLIBOI & ASSOCIATES LLP

Firm Registration No (FRN): 101049W/E300004

CHARTERED ACCOUNTANTS

**For and on behalf of the Board of Directors of
Happiest Minds Technologies Private Limited****per Sumit Mehra**

Partner

Membership No. 096547

Ashok Soota

Executive Chairman

DIN 00145962

Venkatraman. N

Director & CFO

DIN 01856347

Praveen Darashankar

Company Secretary

FCS No.: F6706

Place: Bangalore

Date: June 21, 2019

Place: Bangalore

Date: June 21, 2019

Happiest Minds Technologies Private Limited

Registered Office: 53/1-4, Madivala (Next to Madivala Police station), Bangalore - 560068

Consolidated cash flow statement for the year ended March 31, 2019

(All amounts in Indian Rupees Lacs)

| | March 31, 2019 | March 31, 2018 |
|--|----------------|----------------|
| I. Cash flow from operating activities | | |
| Profit Before tax | 1,827 | (1,976) |
| Adjustments to reconcile profit before tax to net cash flows | | |
| Depreciation and amortisation | 582 | 687 |
| Interest income | (232) | (17) |
| Net gain on sale of current investments | (131) | (971) |
| Interest expense | 635 | 606 |
| Loss on sale of fixed assets (net) | 5 | (23) |
| Provision for doubtful debts (net) | 894 | 180 |
| Provision no longer required written off | (19) | - |
| Stock options outstanding expense | 4 | 22 |
| Provision for warranty (net) | - | 1 |
| Unrealised foreign exchange (gain)/ loss | 302 | (124) |
| Provision for doubtful deposits (net) | (36) | 461 |
| Impairment of goodwill | 761 | - |
| Impairment of goodwill on consolidation | 986 | - |
| Acquisition related receivables written off | 165 | - |
| Operating profit before working capital changes | 5,743 | (1,154) |
| Movements in working capital | | |
| Decrease / (increase) in loans and advances | 514 | (516) |
| (Increase) / decrease in other assets | (789) | 2,998 |
| (Increase) in trade receivables | (4,222) | (1,856) |
| Increase in provisions | 358 | 199 |
| Increase / (decrease) in other liabilities | 2,259 | 168 |
| Increase in trade payables | 116 | 435 |
| Cash from / (used in) operations | 3,979 | 274 |
| Taxes paid (net of refunds) | (336) | 20 |
| Net cash flow from / (used in) operating activities | 3,643 | 294 |
| II. Cash flow from investing activities | | |
| Purchase of fixed assets | (105) | (249) |
| Proceeds from sale of fixed assets | 10 | 52 |
| Purchase of current investments | - | (32,834) |
| Proceeds from sale of current investments | 4,820 | 35,608 |
| Payment towards acquisition of Cupola Technology Private Limited on slump sale | - | (695) |
| Payment towards acquisition of OSS Cube Solutions Limited on slump sale | - | (1,936) |
| Payment towards acquisition of Happiest Minds Technologies LLC | - | (2,700) |
| Payment of earnout to Cupola Technology Private Limited | (281) | - |
| Investment in fixed deposit | (4,957) | - |
| Interest received | 181 | 13 |
| Net cash flow (used in) investing activities | (332) | (2,741) |
| III. Cash flow from financing activities | | |
| Repayment of long term borrowings (net) | (598) | 1,503 |
| Repayment of short term borrowings (net) | (991) | 2,321 |
| Repayment of lease obligations | (351) | (387) |
| Proceeds from issuance of preference shares | 21 | 168 |
| Proceeds from allotment under employee stock option scheme | - | 189 |
| Payment of interest | (577) | (534) |
| Net cash flow (used in) / from financing activities | (2,496) | 3,260 |
| IV. Net (decrease)/ increase in cash and cash equivalents (I+II+III) | 815 | 813 |

Happiest Minds Technologies Private Limited

Registered Office: 53/1-4, Madivala (Next to Madivala Police station), Bangalore - 560068

Consolidated cash flow statement for the year ended March 31, 2019

(All amounts in Indian Rupees Lacs)

| | March 31, 2019 | March 31, 2018 |
|--|-----------------------|-----------------------|
| V. Effect of exchange differences on cash and cash equivalents held in foreign currency | 125 | (26) |
| VI. Cash and cash equivalents at the beginning of the year | 1,623 | 836 |
| VII. Cash and cash equivalents at the end of the year (IV + V + VI) (Refer note 17) | 2,563 | 1,623 |
| Components of Cash and cash Equivalents | | |
| Balances with Banks | 2,563 | 1,623 |
| Total cash and cash equivalents [refer note 17] | 2,563 | 1,623 |
| Summary of significant accounting policies 2(c) | | |

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S.R. BATLIBOI & ASSOCIATES LLPFirm Registration No (FRN): 101049W/E300004
CHARTERED ACCOUNTANTS**For and on behalf of the Board of Directors of
Happiest Minds Technologies Private Limited****per Sumit Mehra**

Partner

Membership No. 096547

Ashok Soota

Executive Chairman

DIN 00145962

Venkatraman. N

Director & CFO

DIN 01856347

Praveen Darashankar

Company Secretary

FCS No.: F6706

Place: Bangalore
Date: June 21, 2019Place: Bangalore
Date: June 21, 2019

Happiest Minds Technologies Private Limited

Notes to consolidated financial statements for the year ended March 31, 2019

1. Company overview

Happiest Minds Technologies Private Limited ("Happiest Minds" or "the Company" or "the parent") and its subsidiary (hereinafter, collectively referred to as "the Group") are a next generation IT solutions & services Company, enabling organizations to capture the business benefits of emerging technologies of cloud computing, social media, mobility solutions, business intelligence, analytics, unified communications and internet of things. Happiest Minds offers high degree of skills, IPs and domain expertise across a set of focused areas that include Digital Transformation & Enterprise Solutions, Product Engineering, Infrastructure Management, Security, Testing and Consulting. Happiest Minds focuses on industries in the Retail/CPG, BFSI, Travel & Transportation, Manufacturing and Media space. Happiest Minds Provide a Smart, Secure and Connected Experience to its Customers. In the Solution space, focus areas are Security, M2M and Mobility solutions.

Happiest Minds is headquartered in India and has branch offices in United States of America, United Kingdom, Australia, Canada, the Netherlands and Dubai.

2. (a) Basis of preparation

The Consolidated financial statements of the Group have been prepared in accordance with the generally accepted accounting principles in India (Indian GAAP). The Group has prepared these financial statements to comply in all material respects with the accounting standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and Companies (Accounting Standards) Amendment Rules, 2016. The financial statements have been prepared on an accrual basis and under the historical cost convention, except for derivative financial instruments which have been measured at fair value. The Company has prepared its first consolidated financial statements for the year ended March 31, 2019.

(b) Principles of consolidation

The consolidated financial statements have been prepared in accordance with the principles and procedures for the preparation and presentation of consolidated financial statements as laid down under AS 21 – Consolidated Financial Statements, notified under section 133 of the Companies Act, 2013, read together with Rule 7 of the Companies (Accounts) Rules 2014 and Companies (Accounting Standards) Amendment Rules, 2016. The consolidated financial statements are prepared by applying uniform accounting policies in use at the Group.

Happiest Minds Technologies Private Limited

Notes to consolidated financial statements for the year ended March 31, 2019

The financial statements of the Company and its subsidiary companies have been combined on a line-by-line basis by adding together the book value of like items of assets, liabilities, income and expenses after eliminating intra-group balances, intra-group transactions and unrealized profits or losses. The amount shown in respect of reserves comprises the amount of the relevant reserves as per the balance sheet of the Company and its share in the post-acquisition change in the relevant reserve of the subsidiary. The excess of cost to the Company of its investments in the subsidiary companies over its share of the equity of the subsidiary companies, at the dates on which the investments in the subsidiary companies were made, is recognized as goodwill, being an asset in the consolidated financial statements. Goodwill arising on consolidation is not amortised. It is tested for impairment on a periodic basis and written off if found impaired.

The financial statements of the subsidiary used for the purpose of consolidation are drawn up to same reporting date as that of the Company i.e. year ended March 31, 2019.

As per Accounting Standard 21, only those notes which are material need to be disclosed. Materiality for this purpose is assessed in relation to the information contained in the consolidated financial statements. Further, additional statutory information disclosed in separate financial statements of the parent having no bearing on the true and fair view of the consolidated financial statements are not disclosed in the consolidated financial statements.

(c) Significant accounting policies

i. Use of estimates

The preparation of the financial statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amount of assets and liabilities, revenues and expenses and disclosure of contingent liabilities at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

ii. Cash and cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

Happiest Minds Technologies Private Limited

Notes to consolidated financial statements for the year ended March 31, 2019

iii. Property, plant and equipment

Property, plant and equipment, capital work in progress are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalization criteria are met, directly attributable cost of bringing the asset to its working condition for the intended use and initial estimate of decommissioning, restoring and similar liabilities. Any trade discounts and rebates are deducted in arriving at the purchase price. All repairs and maintenance cost are recognized in statement of profit and loss as incurred.

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

Gains or losses arising from de-recognition of property, plant and equipment 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 held for sale is valued at lower of their carrying amount and net realizable value. Any write-down is recognized in the statement of profit and loss.

iv. Depreciation on property, plant and equipment

Depreciation on property, plant and equipment is calculated on a straight-line basis using the rates arrived at, based on the useful lives estimated by the management or the rates prescribed under Schedule II to the Companies Act, 2013, whichever is higher. The estimates of useful lives of the assets based on a technical evaluation, have not undergone a change on account of transition to the Companies Act, 2013.

The Group has used the following rates to provide depreciation on its property, plant and equipment.

| Asset | Estimated useful life |
|-----------------------|------------------------------|
| Computer Systems | 2.5 - 3 years |
| Furniture and Fixture | 5 years |
| Office equipment | 4 years |
| Vehicles | 4 years |

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

Assets under finance lease are depreciated over their estimated life or lease term whichever is lower.

Property, plant and equipment individually costing Rs.5,000 or less are depreciated at 100% in the year in which such assets are acquired.

Happiest Minds Technologies Private Limited

Notes to consolidated financial statements for the year ended March 31, 2019

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

v. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial intangible assets are stated at acquisition cost, net of accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised on a straight line basis over their estimated useful economic lives. The amortisation period and the amortisation method are reviewed at least at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly. If there has been a significant change in the expected pattern of economic benefits from the asset, the amortization method is changed to reflect the changed pattern. Such changes are accounted for in accordance with AS 5 Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies.

A summary of amortization policies applied to the Group's intangible assets is as below:

| Asset | Estimated useful life |
|-------------------|------------------------------|
| Computer Software | 2.5 - 3 years |

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

Research and Development Expenses

Research costs are expensed as incurred. Development expenditure incurred on an individual project is recognised as an intangible asset when all of the following criteria are met:

- i. It is technically feasible to complete the intangible asset so that it will be available for use or sale.
- ii. There is an intention to complete the asset
- iii. There is an ability to use or sale the asset
- iv. The asset will generate future economic benefits
- v. Adequate resources are available to complete the development and to use or sell the asset
- vi. The expenditure attributable to the intangible asset during development can be measured reliably.

Following the initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use and it is amortised on straight line basis over the estimated useful life. Amortization is recognized in the statement of profit and loss. During the period of development, the asset is tested for impairment annually.

Happiest Minds Technologies Private Limited

Notes to consolidated financial statements for the year ended March 31, 2019

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Income from 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 as the related services are performed. Revenue with respect to fixed price contracts 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.

Unbilled revenue represent revenues earned on contracts as of the balance sheet date to be billed in subsequent periods as per the terms of the contracts.

Unearned income represents the difference between the amount invoiced and revenue earned on contracts as of the balance sheet date and advance payment received from the customer.

Revenue from sale of licenses is recognised as per the terms of the contract.

Revenues are shown net of sales tax, value added tax, service tax and applicable discounts and allowances and includes reimbursement of out-of-pocket expenses, with corresponding expenses included in cost of revenues.

Dividends

Dividend income is recognised when the Group's right to receive dividend is established.

Interest

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the applicable interest rate.

vi. Foreign currency translation

a) Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Happiest Minds Technologies Private Limited

Notes to consolidated financial statements for the year ended March 31, 2019

b) Conversion:

Foreign currency monetary items are retranslated using the exchange rate prevailing at the reporting date. Non-monetary items, which are measured in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction. Non-monetary items, which are measured at fair value or other similar valuation denominated in a foreign currency, are translated using the exchange rate at the date when such value was determined.

c) Exchange difference:

Exchange differences arising on the settlement or conversion of the monetary items are recognized as income or as expenses in the year in which they arise.

d) Translation of foreign operations

The Group classifies all its foreign operations as either "integral foreign operations" or "non-integral foreign operations."

The financial statements of an integral foreign operation are translated as if the transactions of the foreign operation have been those of the Group itself.

The assets and liabilities of a non-integral foreign operation are translated into the reporting currency at the exchange rate prevailing at the reporting date. Their statement of profit and loss are translated at exchange rates prevailing at the dates of transactions or weighted average weekly rates, where such rates approximate the exchange rate at the date of transaction. The exchange differences arising on translation are accumulated in the foreign currency translation reserve. On disposal of a non-integral foreign operation, the accumulated foreign currency translation reserve relating to that foreign operation is recognized in the statement of profit and loss.

When there is a change in the classification of a foreign operation, the translation procedures applicable to the revised classification are applied from the date of the change in the classification.

The Group has classified all its branches as integral foreign operations.

vii. Investments

Investments that are readily realisable and are intended to be held for not more than one year from the date, on which such investments are made, are classified as current investments. All other investments are classified as long term investments.

Current investments are carried at lower of cost or fair value determined individually for each investment. Long-term investments are carried at cost. However, provision for diminution is made to recognise a decline, other than temporary, in the value of the investments, such reduction being determined and made for each investment individually.

Happiest Minds Technologies Private Limited

Notes to consolidated financial statements for the year ended March 31, 2019

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

viii. Retirement and other employee benefits

Employee benefits include contribution to Provident fund, Social security, National Insurance, Superannuation, Medicare schemes, gratuity and compensated absences.

a) Defined Contribution Plans:

Retirement benefit in the form of provident fund scheme, Social security, National Insurance, Superannuation, Medicare schemes are the defined contribution plans. The Group has no obligation, other than the contribution payable. The Group recognizes contribution payable to these schemes as an expenditure, when an employee renders the related service.

b) Defined Benefit Plans:

The Company provides for gratuity, a defined benefit retirement plan ('the gratuity plan') covering eligible employees. The Gratuity Plan provides a lump-sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employees' salary and the tenure of employment with the Company.

Liabilities with regard to the gratuity plan are determined by actuarial valuation, performed by an independent actuary, at each balance sheet date using the projected unit credit method. The plan is administered through registered Gratuity trust. The Company recognizes the net obligation of the gratuity plan in the balance sheet as an asset or liability, respectively in accordance with Accounting standard 15, 'Employee benefits'. The Company's overall expected long-term rate-of-return on assets has been determined based on consideration of available market information, current provision of Indian Law specifying the instruments in which investments can be made, and historical returns. The discount rate is based on the Government securities yield. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the statement of profit and loss in the period in which they arise.

Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, as reduced by the fair value of scheme assets.

c) Other Employee Benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service.

Accumulated leave, which is expected to be utilised within the next 12 months, is treated as short-term employee benefit. The Group measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

Happiest Minds Technologies Private Limited

Notes to consolidated financial statements for the year ended March 31, 2019

The Group treats accumulated leave expected to be carried forward beyond 12 months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/ losses are immediately taken to the statement of profit and loss and are not deferred. The Group presents the entire leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for 12 months after the reporting date.

ix. Employee share based payments

Certain employees of the Group also receive remuneration in the form of share based payment transactions, whereby employees render services as consideration for equity instruments.

In accordance with the Guidance Note on Employee Share-based Payments issued by the Institute of Chartered Accountants of India the nature of the scheme is assessed at every period end (Equity-settled / Cash-settled Employee Share-Based Payment Plans) based on terms and conditions of the scheme.

The Group measures the compensation cost relating to employee stock options using the intrinsic value method (which is the excess of fair market value of the underlying share immediately prior to date of grant over its exercise price) as prescribed by the Guidance Note. The Group computes the fair value of options granted using the Black Scholes model.

Cash-settled Employee Share-Based Payment Plan: The Group follows the intrinsic value method of measurement. The Group measures the services received and the liability incurred at the fair value of the liability. Until the liability is settled, the fair value of the liability is re-measured at each reporting date and at the date of the settlement, with any changes in fair value recognised in the Statement of Profit and Loss for the period.

Equity-settled Employee Share-Based Payment Plan: The intrinsic value of the option is recognised as deferred employee compensation with a credit to employee stock option outstanding account. The deferred employee compensation is charged to Statement of Profit and Loss on straight line basis over the vesting period of the option.

x. Borrowing costs

Borrowing cost includes interest and amortization of ancillary costs incurred in connection with the arrangement of borrowings.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in Statement of Profit and Loss in the period in which they are incurred.

Happiest Minds Technologies Private Limited

Notes to consolidated financial statements for the year ended March 31, 2019

xi. Segment reporting

The Group identifies primary segments based on the dominant source, nature of risks and returns and the internal organisation and management structure. The operating segments are the segments for which separate financial information is available and for which operating profit / loss amounts are evaluated regularly by the executive Management in deciding how to allocate resources and in assessing performance. The analysis of geographical segments is based on customer locations, which are located in different geographical locations.

The Group prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group as a whole.

Segment revenue, segment expenses, segment assets and segment liabilities have been identified to segments on the basis of their relationship to the operating activities of the segment.

Inter-segment revenue is accounted on the basis of transactions which are primarily determined based on market / fair value factors.

Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

Revenue, expenses, assets and liabilities which relate to the Group as a whole and are not allocable to segments on reasonable basis have been included under "unallocated revenue / expenses / assets / liabilities".

xii. Leases

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease term at the lower of the fair value of the leased property and present value of minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in the statement of profit and loss. Lease management fees, legal charges and other initial direct costs of lease are capitalized.

A leased asset is depreciated on a straight-line basis over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain the ownership by the end of the lease term, the capitalized asset is depreciated on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term.

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

Happiest Minds Technologies Private Limited

Notes to consolidated financial statements for the year ended March 31, 2019

xiii. Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the period is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split (consolidation of shares) that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

xiv. Taxes on income

Tax expense comprises of current and deferred taxes. Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961, enacted in India and tax laws prevailing in the respective tax jurisdictions where the Group operates. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Deferred income tax reflects the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences of earlier years. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and deferred taxes relate to the same entity and the same taxation authority.

Deferred tax liabilities are recognized for all taxable timing differences. Deferred tax assets are recognized for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the Group has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits. At each reporting date, the Group re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized. The carrying amount of deferred tax assets are reviewed at each reporting date. The Group writes-down the carrying amount of deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Happiest Minds Technologies Private Limited

Notes to consolidated financial statements for the year ended March 31, 2019

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The Company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Company recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss and shown as "MAT Credit Entitlement." The Company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

xv. Impairment

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) net selling price 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. Where 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 net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering 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.

Impairment losses of continuing operations are recognized in the statement of profit and loss.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit'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.

Happiest Minds Technologies Private Limited

Notes to consolidated financial statements for the year ended March 31, 2019

xvi. Provisions

A provision is recognised when the Group has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Warranty provisions:

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.

xvii. Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond 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 Company does not recognize a contingent liability but discloses its existence in the financial statements.

xviii. Derivative contracts

The Company enters into derivative contracts in the nature of forward contracts with an intention to hedge its existing assets and liabilities, firm commitments and highly probable transactions in foreign currency.

The Company is also exposed to foreign currency fluctuation and interest rate risk on forecasted cash flows dominated in foreign currencies arising from floating rate foreign currency borrowings. The Company limits the effects of interest rate risk by following established risk management policies including the use of interest rate swap derivatives.

As per the "Guidance Note on Accounting for Derivative Contracts" issued by the Institute of Chartered Accountants of India (ICAI), in case of cash flow hedges, the effective portion of the gain/ loss on the hedging instrument is recognized directly in shareholders' funds and is reclassified into the statement of profit and loss upon the occurrence of the hedged transaction. The changes in fair value relating to the ineffective portion of the cash flow hedges are recognized in the profit and loss account as they arise. In case of fair value hedges, the changes in the fair value of a hedging derivative designated as fair value hedges are recognized in the statement of profit and loss as they arise. Additionally, the change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the statement of profit and loss.

Happiest Minds Technologies Private Limited

Notes to consolidated financial statements for the year ended March 31, 2019

If the forecast transaction is no longer expected to occur, the cumulative gain or loss previously recognized in the hedging reserve is transferred to the statement of profit and loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in the hedging reserve remains in the hedging reserve until the forecast transaction affects profit or loss.

Presentation of derivative contracts in the financial statement

Derivative assets and liabilities recognized on the balance sheet are presented as current and non-current based on the following considerations:

- Derivatives that are hedges of recognized assets or liabilities are classified as current or non-current based on the classification of the hedged item
- Derivatives that are hedges of forecasted transactions and firm commitments are classified as current or non-current based on the settlement date / maturity dates of the derivative contracts.
- Derivatives that have periodic or multiple settlements such as interest rate swaps are not bi-furcated into current and non-current elements. Their classification is based on when a predominant portion of their cash flows are due for settlement as per their contractual terms.

xix. Operating cycle

Based on the nature of activities of the Group and the normal time between acquisition of assets and their realization in cash or cash equivalents, the Group has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

xx. Corporate social responsibility ('CSR') expenditure

CSR expenditure as per provisions of Section 135 of the Companies Act, 2013, read with rules thereon, is charged to the statement of profit and loss as an expense.

xxi. Events subsequent to the balance sheet date

Events occurring after the balance sheet date, which have a material impact on the financial affairs of the Group, are accounted for based on the management's assessment of whether they are adjusting or non-adjusting events.

Happiest Minds Technologies Private Limited**Notes to Consolidated financial statements for the year ended March 31, 2019****Note 3 Share capital**

| Particulars | (All amounts in Indian Rupees Lacs) | |
|--|-------------------------------------|----------------|
| | March 31, 2019 | March 31, 2018 |
| Authorised | | |
| 50,000,000 (Previous Year: 50,000,000) Equity shares of Rs.2 each | 1,000 | 1,000 |
| 750,000 (Previous Year: 750,000) Series A 14% Non Cumulative compulsorily convertible preference shares of Rs.652 each | 4,890 | 4,890 |
| | 5,890 | 5,890 |
| Issued, subscribed and paid-up capital | | |
| 37,164,815 (Previous Year: 37,164,815) Equity shares of Rs.2 each | 743 | 743 |
| 632,345 (Previous Year: 632,157) Series A 14% Non Cumulative compulsorily convertible preference shares of Rs.652 each | 4,123 | 4,122 |
| Total | 4,866 | 4,865 |

Notes:

(a) The Company had two class of equity share i.e., Equity share of Rs. 2 each and Class B Non-voting equity shares of Rs. 2 each. During the previous year the Company had obtained approval of shareholders at the annual general meeting held on July 31, 2017 for conversion of Class B Non-Voting Equity shares into Equity Shares and to make it rank pari passu in all respects with the Equity Shares of the Company. The conversion was approved by Class B shareholders and the board of directors on March 22, 2017 and April 26, 2017, respectively. Accordingly, the Company had altered the Memorandum of association to have authorised share capital of 50,000,000 Equity shares of Rs. 2. each and 750,000 Series A Non-cumulative compulsorily convertible preference shares of Rs. 652 each.

(b) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period:

| Particulars | March 31, 2019 | | March 31, 2018 | |
|--|------------------|-------------------|------------------|-------------------|
| | Number of shares | Amount in Rs lacs | Number of shares | Amount in Rs lacs |
| Equity shares (with voting rights) | | | | |
| Balance as at the beginning of the year | 37,164,815 | 743 | 18,969,865 | 379 |
| Add: Shares issued during the year | - | - | 698,680 | 14 |
| Add: Class B non-voting Equity Shares converted to Equity Shares (with voting rights) [refer note(a) above] | - | - | 17,496,270 | 350 |
| Balance as at the end of the year | 37,164,815 | 743 | 37,164,815 | 743 |
| Class B Equity shares (without voting rights) | | | | |
| Balance as at the beginning of the year | - | - | 17,376,270 | 348 |
| Add: Shares issued during the year | - | - | 120,000 | 2 |
| Less: Class B non-voting Equity Shares converted to Equity Shares (with voting rights) [refer note(a) above] | - | - | (17,496,270) | (350) |
| Series A 14% Non Cumulative compulsorily convertible preference shares | | | | |
| Balance as at the beginning of the year | 632,157 | 4,122 | 630,689 | 4,112 |
| Add: Shares issued during the year | 188 | 1 | 1,468 | 10 |
| Balance as at the end of the year | 632,345 | 4,123 | 632,157 | 4,122 |

(c) Rights, preferences and restrictions attached to shares including terms of conversion if any:

The Company has two classes of shares as below:

- i) Equity shares of Rs.2 each
- ii) Series A 14% Non Cumulative compulsorily convertible preference shares of Rs.652 each

Each holder of the equity shares is entitled to one vote per share and carries a right to dividends as and when declared by the Company

Each holder of Series A 14% Non Cumulative compulsorily convertible preference shares is entitled to receive a preferential non-cumulative dividend at 14% per annum on the par value of each share. Holders of preferential shares shall receive preferential dividend in preference to dividend payable on equity shares and shall not participate in any further dividends declared on Equity Shares. Preference shareholders are also entitled to vote in the shareholders meeting.

In the event of liquidation of the Company, the holders of equity shares, will be entitled to receive any of the remaining assets of the Company after distribution of all preferential amounts. The preferential amount is the actual amount invested by shareholders who hold Series A 14% Non Cumulative compulsorily convertible preference shares.

After distribution as above, holders of Series A 14% Non Cumulative compulsorily convertible preference shares are entitled to participate in the surplus proceeds (which is subject to a limit of two times the amount invested) from the Liquidation Event, if any, on a pro-rata basis along with all other holders of Equity Shares on a fully diluted basis.

Happiest Minds Technologies Private Limited

Notes to Consolidated financial statements for the year ended March 31, 2019

These shares are convertible into equity shares at the ratio of 163 : 1 on any of the following occurrence:

- i) At the end of 20 years from the date of allotment
- ii) At the time of the Company filing for an Initial Public Offering
- iii) At the insistence of such preference shareholders

(d) Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company

| Name of the Shareholder | March 31, 2019 | | March 31, 2018 | |
|---|------------------|------------|------------------|------------|
| | Number of shares | % of Total | Number of shares | % of Total |
| Equity Shares | | | | |
| Ashok Soota (Promoter) | 15,192,854 | 40.88% | 12,380,339 | 33.31% |
| Happiest Minds Technologies Share Ownership Plans Trust | 7,331,563 | 19.73% | 8,083,394 | 21.75% |
| Vikram Gulati | - | - | 2,812,515 | 7.57% |
| Series A 14% Non Cumulative compulsorily convertible preference shares | | | | |
| Ashok Soota (Promoter) | 325,761 | 51.52% | 325,761 | 51.53% |
| CMDDB II | 167,173 | 26.44% | 167,173 | 26.44% |
| Intel Capital Corporation | 123,099 | 19.47% | 123,099 | 19.47% |

(e) Aggregate number of shares allotted as fully paid up by way of bonus shares during 5 years immediately preceding March 31, 2019:

- (i) The Company has not issued and allotted any fully paid up equity shares by way of bonus shares during 5 years immediately preceding March 31, 2019.

(f) Employee Share based payments

The Company instituted the Employee Stock Option Plan ('ESOP') and Equity incentive scheme for eligible employees during the year ended March 2012 which was approved by the Board of Directors (Board) on October 18, 2011 and January 19, 2012 duly amended by the Board of Directors on January 22, 2015.

(i) The participants shall be permitted to retain the Options that are vested and also can participate in case of an early liquidity event prior to an Initial Public Offer (IPO).

(ii) The participants shall not be entitled to offer the Shares and/or RNV Shares acquired to the Trust after the expiry of seven years if the shares of the Company have not been listed by then.

(iii) In the event of termination of the Participant's employment with the Company for any reason other than death, permanent incapacity and superannuation and in case of resignation of the Employee or for termination for cause by the Company, the participant has to exercise all the vested but unexercised options into the shares within 30 days of the date of his/her last working day with the Company.

Besides the above Plan, the Company has also instituted Employee Stock Option Plan 2014 duly approved by the Board of Directors on October 20, 2014 and by the shareholders on January 22, 2015. Company has also instituted Employee Stock Option Plan 2015 duly approved by the Board of Directors on June 30, 2015 and by the shareholders on July 22, 2015. During the previous year company has amended employee stock option plan 2014 and merged it with employee stock option plan 2011 duly approved by the board on October 25, 2017.

The plans are separate for USA employees (working out of the United States America - "USA") and employees working outside USA. The Company administers these Under these plans, the Company provides the option to the employees, either to exercise all the options into Equity Shares immediately or exercise the options as and when they vest.

| Key Terms | Employee Stock Ownership Plan 2011 | Employee Stock Ownership Plan 2014 / Equity Incentive Plan for US Employees-2011**# | Employee Stock Ownership Plan 2015 / Equity Incentive Plan for US Employees-2011## |
|----------------------|--|--|---|
| Class of Share | Equity Shares (as amended vide board meeting held on April 26, 2017 and Annual general meeting held on July 31, 2017) | Pursuant to conversion of Class B Non-voting Equity Shares to Equity shares (as amended vide board meeting held on April 26, 2017 and Annual general meeting held on July 31, 2017), Board of Directors at meeting held on October 25, 2017 approved | Equity Shares (as amended vide board meeting held on April 26, 2017 and Annual general meeting held on July 31, 2017) |
| Ownership | Legal Ownership | administration of options granted and shares allotted under Employee Stock Ownership Plan 2011 on going forward basis | Legal Ownership |
| Vesting Pattern | Four-year vesting term and vest at the rate of 15%, 20%, 30% and 35% at the end of 1,2,3 and 4 years respectively from the date of grant and become fully exercisable, subject to employee being in the employment of the Company. | | |
| Method of Settlement | Equity Settled | | |

Happiest Minds Technologies Private Limited
Notes to Consolidated financial statements for the year ended March 31, 2019

| Key Terms | Employee Stock Ownership Plan 2011 | Employee Stock Ownership Plan 2014 / Equity Incentive Plan for US Employees-2011**# | Employee Stock Ownership Plan 2015 / Equity Incentive Plan for US Employees-2011## |
|-----------------------------------|--|---|--|
| Exercise Price | Exercisable at an exercise price of Rs.2, Rs. 3, Rs. 5 and Rs. 6 per option. | Exercisable at an exercise price of Rs.2 and Rs. 6 per option. | Exercisable at an exercise price of Rs.2, Rs. 6.25, Rs. 9.50, Rs. 11.50 and Rs. 26 per option. |
| Economic Benefits / Voting Rights | The holders of the equity shares will be entitled to the economic benefits of holding these shares only after the completion of the various vesting terms mentioned above and shall acquire voting rights as a shareholder of the Company as duly approved by the shareholders at the meeting held on July 31, 2017. | | |

**# As amended vide Board meeting held in October 20, 2014. Under the said Plan , for employees (working out of the United States America - "USA") who have been granted options the legal ownership vests with the Employees only.

As amended vide Board meeting held in June 30, 2015.

April 01, 2018 to March 31, 2019

| Options - Non USA Plan | Employee Stock Ownership Plan 2011 | | Employee Stock Ownership Plan 2014 | | Employee Stock Ownership Plan 2015 | |
|--|------------------------------------|---------------------------------|------------------------------------|---------------------------------|------------------------------------|---------------------------------|
| | No of Options | Weighted Average Exercise Price | No of Options | Weighted Average Exercise Price | No of Options | Weighted Average Exercise Price |
| Options at the beginning of the year | 429,835 | 5.59 | - | - | 1,663,875 | 16.82 |
| Options granted during the year | - | - | - | - | 4,157,881 | 26.00 |
| Exercised during the year | 14,675 | 5.76 | - | - | 1,545,431 | 25.93 |
| Lapsed during the year | 44,091 | 5.66 | - | - | 90,900 | 9.01 |
| Forfeited during the year | 26,433 | 5.62 | - | - | 717,925 | 20.41 |
| Reclassification | - | - | - | - | - | - |
| Outstanding options as at the end of the year | 344,636 | 5.57 | - | - | 3,467,500 | 23.23 |
| Weighted Average Remaining Contractual Life | 2.43 Years | | - | | 5.70 Years | |

April 01, 2017 to March 31, 2018

| Options - Non USA Plan | Employee Stock Ownership Plan 2011 | | Employee Stock Ownership Plan 2014 | | Employee Stock Ownership Plan 2015 | |
|--|------------------------------------|---------------------------------|------------------------------------|---------------------------------|------------------------------------|---------------------------------|
| | No of Options | Weighted Average Exercise Price | No of Options | Weighted Average Exercise Price | No of Options | Weighted Average Exercise Price |
| Options at the beginning of the year | 250,700 | 4.62 | 481,174 | 6.00 | 1,325,225 | 7.89 |
| Options granted during the year | - | - | - | - | 2,098,000 | 24.34 |
| Exercised during the year | 41,354 | 4.33 | 24,875 | 6.00 | 1,229,900 | 22.81 |
| Lapsed during the year | 85,822 | 5.18 | 14,808 | 6.00 | 66,475 | 7.53 |
| Forfeited during the year | 107,262 | 5.71 | 27,918 | 6.00 | 462,975 | 10.78 |
| Reclassification | 413,573 | 6.00 | (413,573) | (6.00) | - | - |
| Outstanding options as at the end of the year | 429,835 | 5.59 | - | - | 1,663,875 | 16.82 |
| Weighted Average Remaining Contractual Life | 3.43 Years | | - | | 5.55 Years | |

April 01, 2018 to March 31, 2019

| Options - USA Plan | Equity Incentive Plan for US Employees-2011 | | Equity Incentive Plan for US Employees-2011**# | | Equity Incentive Plan for US Employees-2011## | |
|--|---|---------------------------------|--|---------------------------------|---|---------------------------------|
| | No of Options | Weighted Average Exercise Price | No of Options | Weighted Average Exercise Price | No of Options | Weighted Average Exercise Price |
| Options at the beginning of the year | 49,500 | 5.24 | - | - | 197,000 | 23.83 |
| Options granted during the year | - | - | - | - | 485,450 | 26.00 |
| Exercised during the year | - | - | - | - | 172,950 | 25.72 |
| Lapsed during the year | - | - | - | - | 14,250 | 22.95 |
| Forfeited during the year | - | - | - | - | 162,750 | 24.49 |
| Reclassification | - | - | - | - | - | - |
| Outstanding options as at the end of the year | 49,500 | 5.24 | - | - | 332,500 | 25.73 |
| Weighted Average Remaining Contractual Life | 2.39 Years | | - | | 6.20 Years | |

Happiest Minds Technologies Private Limited
Notes to Consolidated financial statements for the year ended March 31, 2019

April 01, 2017 to March 31, 2018

| Options - USA Plan | Equity Incentive Plan for US Employees-2011 | | Equity Incentive Plan for US Employees-2011**# | | Equity Incentive Plan for US Employees-2011## | |
|--|---|---------------------------------|--|---------------------------------|---|---------------------------------|
| | No of Options | Weighted Average Exercise Price | No of Options | Weighted Average Exercise Price | No of Options | Weighted Average Exercise Price |
| Options at the beginning of the year | 181,000 | 3.50 | 39,875 | 6.00 | 147,000 | 11.25 |
| Options granted during the year | - | - | - | - | 872,500 | 26.00 |
| Exercised during the year | 38,500 | 2.09 | - | - | 337,500 | 20.84 |
| Lapsed during the year | 67,000 | 4.24 | 1,006 | 6.00 | - | - |
| Forfeited during the year | 63,000 | 3.67 | 1,869 | 6.00 | 485,000 | 26.00 |
| Reclassification | 37,000 | 6.00 | (37,000) | (6.00) | - | - |
| Outstanding options as at the end of the year | 49,500 | 5.24 | - | - | 197,000 | 23.83 |
| Weighted Average Remaining Contractual Life | 3.39 Years | | - | | 6.35 Years | |

**# As amended vide Board meeting held in October 20, 2014. Under the said Plan , for employees (working out of the United States America - "USA") who have been granted options the legal ownership vests with the Employees only.

As amended vide Board meeting held in June 30, 2015.

During the year the Company has granted 250,000 additional Options to Key Managerial Personnels (KMP) [refer note 28]

The Company has adopted the intrinsic value method of accounting for employee share based payments as recognised by the Guidance Note on Accounting for Employee Share Based Payment issued by the Institute of Chartered Accountants of India (ICAI).

Had compensation been determined under the fair value approach (based on Black Scholes model) as described in the Guidance Note on, "Accounting for employee share based payments" issued by ICAI, the Company's net loss and basic and diluted earnings per share would have reduced to the proforma amounts as indicated:

| Particulars | (All amounts in Indian Rupees Lacs) | |
|---|-------------------------------------|----------------|
| | March 31, 2019 | March 31, 2018 |
| Net Profit / (loss) (as reported) | 1,827 | (1,976) |
| Add: Stock based employee compensation expense (intrinsic value method) | 4 | 22 |
| Less: Stock based employee compensation expense (fair value method) | 180 | 105 |
| Pro forma Net Profit / (loss) | 1,651 | (2,059) |
| Earnings per equity share (of Rs. 2 each) - As reported | | |
| - Basic (Rs.) | 4.92 | (5.37) |
| - Diluted (Rs.) | 1.30 | Note A |
| Earnings per equity share (of Rs. 2 each) - Proforma | | |
| - Basic (Rs.) | 4.44 | (5.60) |
| - Diluted (Rs.) | 1.18 | Note A |

Note A: Potential equity shares are anti-dilutive in nature for FY 2017-18

The following assumptions were used for calculation of fair value of Options:

| | March 31, 2019 | March 31, 2018 |
|--------------------------|----------------|----------------|
| Risk free interest rate | 7.63% - 7.91% | 6.49% - 7.66% |
| Expected life of Options | 5.43 years | 5.18 years |
| Expected Volatility | 0% | 0% |
| Dividend yield | 0% | 0% |

Happiest Minds Technologies Private Limited
Notes to Consolidated financial statements for the year ended March 31, 2019
Note 4 Reserves and surplus

| | (All amounts in Indian Rupees Lacs) | |
|---|-------------------------------------|-----------------|
| | March 31, 2019 | March 31, 2018 |
| Securities Premium | | |
| Balance at the beginning of the year | 31,415 | 31,084 |
| Add: Received during the year on issue of: | | |
| Equity shares | - | 161 |
| Class B non voting equity shares | - | 12 |
| Series A 14% non cumulative compulsorily convertible preference shares | 20 | 158 |
| Balance as at the end of the year | <u>31,435</u> | <u>31,415</u> |
| General Reserve | | |
| Balance at the beginning of the year | 127 | 82 |
| Add: Transfer from employee stock option reserve on forfeiture of shares | - | 45 |
| Balance as at the end of the year | <u>127</u> | <u>127</u> |
| Foreign Currency Translation Reserve | | |
| Balance at the beginning of the year | 15 | - |
| Add: Recognized as per translations for the period | 38 | 15 |
| Balance as at the end of the year | <u>53</u> | <u>15</u> |
| Cash flow hedge reserve | | |
| Balance at the beginning of the year | (15) | 262 |
| Change in fair value of effective portion of outstanding derivative, net | 908 | (775) |
| Net gain / (loss) reclassified into statement of profit & loss on completion of hedge transaction | (656) | 498 |
| Balance as at the end of the year | <u>237</u> | <u>(15)</u> |
| Employee Stock Option Outstanding | | |
| Balance at the beginning of the year | 30 | 53 |
| Add: Employee stock compensation expense for the year (refer note 20) | 4 | 22 |
| Less: Transfer to general reserve on forfeiture of shares | - | (45) |
| Balance as at the end of the year | <u>34</u> | <u>30</u> |
| Deficit in Statement of Profit and Loss: | | |
| Balance at beginning of the year | (17,901) | (15,925) |
| Profit / (loss) for the year | 1,827 | (1,976) |
| Balance as at the end of the year | <u>(16,074)</u> | <u>(17,901)</u> |
| | <u>15,812</u> | <u>13,671</u> |

Note 5 Long-term borrowings

| | Non-current portion | | Current maturities | |
|--|---------------------|----------------|--------------------|----------------|
| | March 31, 2019 | March 31, 2018 | March 31, 2019 | March 31, 2018 |
| Term loans | | | | |
| Foreign currency loan from bank (secured) [refer note (i) below] | 861 | 1,503 | 738 | 694 |
| Other loans and advances | | | | |
| Finance lease obligation (refer Note (ii) below and Note 30) | 294 | 311 | 246 | 325 |
| Amount disclosed under the head "other current liabilities" (note 9) | - | - | (984) | (1,019) |
| | <u>1,155</u> | <u>1,814</u> | <u>-</u> | <u>-</u> |

Note (i) Foreign currency term loan carries a floating interest rate of Libor+3.1%. The loan is repayable in 45 equal monthly instalments from the date of its origination, viz., May 26, 2017, with a moratorium of 3 months. The loan is secured by charge on movable assets and also by lien on fixed deposit equivalent to two months instalments. Further, floating interest on loan has been hedged through USD interest rate swap resulting in a fixed interest rate of 6.5% p.a.

Note (ii) The finance lease obligations are towards purchases of computer systems and vehicles and are secured by the assets taken on lease.

Note 6 Other long-term liabilities

| | March 31, 2019 | March 31, 2018 |
|--|----------------|----------------|
| Lease equalisation reserve | 62 | 76 |
| Deferred consideration payable (refer note 29) | 265 | 507 |
| | <u>327</u> | <u>583</u> |

Happiest Minds Technologies Private Limited
Notes to Consolidated financial statements for the year ended March 31, 2019
Note 7 Short Term Borrowings

| | (All amounts in Indian Rupees Lacs) | |
|--|-------------------------------------|----------------|
| | March 31, 2019 | March 31, 2018 |
| Secured | | |
| Foreign currency loans repayable on demand from banks (PCFC) | 5,011 | 6,854 |
| Over draft facility with bank | 1,000 | - |
| | 6,011 | 6,854 |

Short-term borrowing are secured to the extent of :-

| | | |
|----------------------|-------|-------|
| Mutual funds | 603 | 603 |
| Other current assets | 5,408 | 6,251 |

Note 8 Trade payables

| | March 31, 2019 | March 31, 2018 |
|--|----------------|----------------|
| Trade payables | | |
| Total outstanding dues of micro and small enterprises | 40 | 38 |
| Total outstanding dues of creditors other than micro and small enterprises | 2,824 | 2,459 |
| | 2,864 | 2,497 |

Disclosure required under Clause 22 of Micro, Small and Medium Enterprise Development Act, 2006

The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year:

| | | |
|---|----|----|
| Principal amount due to micro and small enterprises | 39 | 37 |
| Interest due on the above | 1 | 1 |
| (i) The amount of interest paid by the buyer in terms of Section 16 of the MSMED Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year | - | - |
| (ii) The amount of interest due and payable for the period of delay in making payment (which has been paid but beyond appointed day during the year) but without adding the interest specified under the MSMED Act, 2006 | - | - |
| (iii) The amount of interest accrued and remaining unpaid at the end of each accounting year | 1 | 1 |
| (iv) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under Section 23 of the MSMED Act, 2006 | - | - |

The above disclosures are provided by the Company based on the information available with the Company in respect of the registration status of its vendors/ suppliers.

Note 9 Other current liabilities

| | March 31, 2019 | March 31, 2018 |
|--|----------------|----------------|
| Current maturities of foreign currency term loan from bank (secured) | 738 | 694 |
| Current maturities of finance lease obligations (Refer Note 30) | 246 | 325 |
| Current maturities of deferred consideration payable | 300 | 300 |
| Unearned revenue | 913 | 443 |
| Employee related liabilities | 2,576 | 988 |
| Statutory dues payables | 685 | 649 |
| Lease equalization reserve | 31 | 5 |
| Derivative liability | - | 41 |
| Other liabilities | 18 | 1 |
| | 5,507 | 3,446 |

Note 10 Provisions

| | Non Current | | Current | |
|---------------------------------|----------------|----------------|----------------|----------------|
| | March 31, 2019 | March 31, 2018 | March 31, 2019 | March 31, 2018 |
| Provision for Employee benefits | | | | |
| - Gratuity (Refer Note 26) | 940 | 812 | 220 | 120 |
| - Compensated absences | - | - | 771 | 693 |
| Provision for discount | - | - | 154 | 103 |
| Provision for warranty | - | - | 7 | 7 |
| | 940 | 812 | 1,152 | 923 |

Happiest Minds Technologies Private Limited

Notes to Consolidated financial statements for the year ended March 31, 2019

Note 11 Fixed Assets

(All amounts in Indian Rupees Lacs)

| | Property and equipments | | | | | | Intangible Assets | | | Total | |
|---|-------------------------|------------------------|------------------------|-------------------|------------------|------------|-------------------|------------|---------------------------|--------------|--------------|
| | Own Assets | | | | Leased Assets | | Own Assets | | Total - Intangible Assets | | |
| | Computer systems | Furniture and fixtures | Leasehold Improvements | Office equipments | Computer systems | Vehicles | Computer software | Goodwill | | | |
| Cost or Valuation | | | | | | | | | | | |
| At April 01, 2017 | 915 | 67 | 70 | 280 | 1,254 | 418 | 3,004 | 182 | - | 182 | 3,186 |
| Additions | 73 | - | - | 26 | 160 | - | 259 | 163 | - | 163 | 422 |
| Acquired on Business Transfer [refer note 29] | 15 | 9 | - | 7 | - | - | 31 | 63 | 3,530 | 3,593 | 3,624 |
| Disposals | - | - | 41 | - | - | 148 | 189 | - | - | - | 189 |
| At March 31, 2018 | 1,003 | 76 | 29 | 313 | 1,414 | 270 | 3,105 | 408 | 3,530 | 3,938 | 7,043 |
| Additions | 49 | 1 | 39 | 6 | 255 | - | 350 | 7 | - | 7 | 357 |
| Disposals | - | - | - | 2 | 46 | 62 | 110 | - | - | - | 110 |
| At March 31, 2019 | 1,052 | 77 | 68 | 317 | 1,623 | 208 | 3,345 | 415 | 3,530 | 3,945 | 7,290 |
| Depreciation/ Amortisation | | | | | | | | | | | |
| At April 01, 2017 | 758 | 45 | 55 | 168 | 733 | 213 | 1,972 | 139 | - | 139 | 2,111 |
| Charge for the year | 100 | 11 | 11 | 50 | 352 | 74 | 598 | 89 | - | 89 | 687 |
| Disposals | - | - | 41 | - | - | 120 | 161 | - | - | - | 161 |
| At March 31, 2018 | 858 | 56 | 25 | 218 | 1,085 | 167 | 2,409 | 228 | - | 228 | 2,637 |
| Charge for the year | 81 | 9 | 13 | 41 | 284 | 49 | 477 | 106 | 761 | 867 | 1,344 |
| Disposals | - | - | - | - | 46 | 49 | 95 | - | - | - | 95 |
| At March 31, 2019 | 939 | 65 | 38 | 259 | 1,323 | 167 | 2,791 | 334 | 761 | 1,095 | 3,886 |
| Net Block | | | | | | | | | | | |
| At March 31, 2018 | 145 | 20 | 4 | 95 | 329 | 103 | 696 | 180 | 3,530 | 3,710 | 4,406 |
| At March 31, 2019 | 113 | 12 | 30 | 58 | 300 | 41 | 554 | 81 | 2,769 | 2,850 | 3,404 |

Happiest Minds Technologies Private Limited
Notes to Consolidated financial statements for the year ended March 31, 2019
Note 12 Goodwill on Consolidation

| | (All amounts in Indian Rupees Lacs) | |
|--|-------------------------------------|----------------|
| | March 31, 2019 | March 31, 2018 |
| Cost of goodwill on the date of acquisition | 986 | 986 |
| Less:- impairment | (986) | |
| Add: Foreign currency translation reserve movement | - | 6 |
| | <u>-</u> | <u>992</u> |

In the previous year goodwill on consolidation (equivalent to USD 13 lakhs) pertains to excess of the cost of the Company of its investments in Happiest Minds Technologies LLC over the equity of the wholly owned subsidiary on the date on which investment is made.

Note 13 Loans and advances

| | Non Current | | Current | |
|---|----------------|----------------|----------------|----------------|
| | March 31, 2019 | March 31, 2018 | March 31, 2019 | March 31, 2018 |
| Security deposits | | | | |
| Unsecured considered good | 849 | 748 | 5 | 334 |
| Doubtful | 2 | - | - | 38 |
| | <u>851</u> | <u>748</u> | <u>5</u> | <u>372</u> |
| Less: Provision for doubtful advances | 2 | - | - | 38 |
| | <u>849</u> | <u>748</u> | <u>5</u> | <u>334</u> |
| Loans and advances to related parties [refer note below] | 245 | 347 | - | - |
| Advances recoverable in cash or in kind | | | | |
| Unsecured considered good | - | - | 84 | 60 |
| Doubtful | - | - | 469 | 441 |
| | <u>-</u> | <u>-</u> | <u>553</u> | <u>501</u> |
| Less: Provision for doubtful advances | - | - | 469 | 441 |
| | <u>-</u> | <u>-</u> | <u>84</u> | <u>60</u> |
| Other loans and advances | | | | |
| Advance Income tax, net of provision | 920 | 584 | - | - |
| Employee advances | - | - | 164 | 117 |
| Prepaid expenses | 24 | 25 | 500 | 514 |
| Balance with government authorities | | | | |
| - Goods and service tax (GST) credit receivable [refer Note 33] | 35 | 35 | 197 | 495 |
| | <u>2,073</u> | <u>1,739</u> | <u>950</u> | <u>1,520</u> |

Note:- Represents advance paid to Happiest Minds Technologies Share Ownership Plans Trust (refer note 28)

Note 14 Other assets

| | Non Current | | Current | |
|--|----------------|----------------|----------------|----------------|
| | March 31, 2019 | March 31, 2018 | March 31, 2019 | March 31, 2018 |
| Unsecured, considered good | | | | |
| Derivative assets | - | - | 237 | 26 |
| Interest accrued on bank deposits | - | - | 55 | 4 |
| Unbilled revenue | - | - | 1,742 | 845 |
| Non-current cash and bank balances [refer note 17] | 5,207 | 250 | - | - |
| Acquisition related receivables | - | - | - | 165 |
| | <u>5,207</u> | <u>250</u> | <u>2,034</u> | <u>1,040</u> |

Note 15 Current investments (valued at lower of cost and fair value, unless stated otherwise)

| | March 31, 2019 | March 31, 2019 | March 31, 2018 | March 31, 2018 |
|---|----------------|----------------|----------------|----------------|
| | Units# | Amount | Units# | Amount |
| Investment in mutual funds (quoted, fully paid up) | | | | |
| Birla sunlife - Short term fund - Growth | 8 | 545 | 20 | 1,350 |
| Birla sunlife - Floating rate fund short term plan - Growth | 4 | 1,000 | 4 | 1,000 |
| DHFL Pramerica - Short maturity fund - Growth | - | - | 21 | 650 |
| Franklin Templeton - TMA Super IP - Growth | - | 234 | - | 1,178 |
| HDFC - Banking & PSU Debt fund - Growth | 95 | 1,350 | 95 | 1,350 |
| HDFC - Corporate debt opportunities fund - Growth | 50 | 710 | 70 | 1,000 |
| ICICI Prudential - Flexi income plan - Growth | - | - | 3 | 1,000 |
| ICICI Prudential - short term - Growth * | 9 | 300 | 9 | 300 |
| ICICI Prudential - Regular Savings Fund - Growth | 16 | 300 | 16 | 300 |
| Kotak - Low Duration fund - Growth | - | 1,000 | - | 1,000 |
| Kotak - Medium term fund - Growth | 41 | 602 | 41 | 602 |
| L&T - Income opportunities fund - Growth ** | 102 | 2,000 | 102 | 2,000 |
| L&T - Short term income fund - Growth | 54 | 1,000 | 54 | 1,000 |
| Reliance - Medium term fund - Growth | - | - | 27 | 1,000 |
| | | <u>9,041</u> | | <u>13,730</u> |

Aggregate market value of quoted investments 9,814 13,862

Units are not presented for few funds as they are below the rounding off norms adopted by the Company

* Mutual Fund Units pledged with RBL Bank as Security towards Credit

**15,50,000 Mutual Fund Units pledged with Kotak Mahindra Bank as Security towards Credit Facilities availed by the Company.

Happiest Minds Technologies Private Limited**Notes to Consolidated financial statements for the year ended March 31, 2019****Note 16 Trade receivables**

| | (All amounts in Indian Rupees Lacs) | |
|--|-------------------------------------|-----------------------|
| | March 31, 2019 | March 31, 2018 |
| Unsecured | | |
| Outstanding for a period exceeding six months from the date they are due for payment | | |
| Considered good | 480 | 656 |
| Doubtful | 1,647 | 763 |
| | <u>2,127</u> | <u>1,419</u> |
| Less: Provision for doubtful receivables | 1,647 | 763 |
| | <u>480</u> | <u>656</u> |
| Other trade receivables | | |
| Considered good | 12,865 | 9,495 |
| | <u>13,345</u> | <u>10,151</u> |

Note 17 Cash and Bank balances

| | March 31, 2019 | March 31, 2018 |
|---|-----------------------|-----------------------|
| Cash and Cash Equivalents | | |
| Balances with banks | | |
| On current accounts | 2,388 | 1,263 |
| On Exchange Earners Foreign Currency (EEFC) accounts | 175 | 360 |
| | <u>2,563</u> | <u>1,623</u> |
| Other bank balances | | |
| Margin money deposit [refer note below] | 5,207 | 250 |
| Less: Amount disclosed under other assets [refer note 14] | (5,207) | (250) |
| | <u>2,563</u> | <u>1,623</u> |

Note: Margin money deposits includes deposits held as lien by bank against bank guarantees and towards 2 monthly instalments payable to RBL bank on Foreign currency term loan.

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Happiest Minds Technologies Private Limited**Notes to Consolidated financial statements for the year ended March 31, 2019****Note 18 Revenue from operations**

(All amounts in Indian Rupees Lacs)

| | March 31, 2019 | March 31, 2018 |
|------------------|-----------------------|-----------------------|
| Sale of services | 58,920 | 46,162 |
| Sale of licenses | 638 | 599 |
| | 59,558 | 46,761 |

Note 19 Other Income

| | March 31, 2019 | March 31, 2018 |
|--|-----------------------|-----------------------|
| Interest income from: | | |
| Deposits with banks | 225 | 17 |
| Income tax refund | - | 54 |
| Others | 7 | - |
| Net gain on sale of current investments | 131 | 971 |
| Provision no longer required written off | 19 | - |
| Foreign exchange gain, net | - | 582 |
| Miscellaneous income | 40 | 48 |
| | 422 | 1,672 |

Note 20 Employee benefits expense

| | March 31, 2019 | March 31, 2018 |
|--|-----------------------|-----------------------|
| Salaries and wages | 35,402 | 33,145 |
| Contributions to provident fund and other contribution plans (note - 26) | 1,706 | 1,670 |
| Gratuity expense (note - 26) | 348 | 262 |
| Employee stock option scheme | 4 | 22 |
| Staff welfare expenses | 155 | 155 |
| | 37,615 | 35,254 |

Note 21 Finance costs

| | March 31, 2019 | March 31, 2018 |
|------------------------|-----------------------|-----------------------|
| Interest expense on: | | |
| Borrowings | 576 | 479 |
| Lease obligations | 56 | 55 |
| Deferred consideration | 58 | 72 |
| | 690 | 606 |

Note 22 Depreciation and amortisation expense

| | March 31, 2019 | March 31, 2018 |
|-----------------------------------|-----------------------|-----------------------|
| Depreciation on tangible assets | 476 | 598 |
| Amortisation on intangible assets | 106 | 89 |
| | 582 | 687 |

Happiest Minds Technologies Private Limited

Notes to Consolidated financial statements for the year ended March 31, 2019

Note 23 Other expenses

(All amounts in Indian Rupees Lacs)

| | March 31, 2019 | March 31, 2018 |
|---|----------------|----------------|
| Power and fuel | 391 | 433 |
| Rent including lease rentals (refer note 30) | 1,928 | 2,055 |
| Repairs and maintenance | | |
| - Buildings | 170 | 223 |
| - Equipments | 41 | 44 |
| - Others | 227 | 219 |
| Insurance | 26 | 31 |
| Rates and taxes | 31 | 62 |
| Cash discount | 37 | 136 |
| Travelling expenses | 2,554 | 2,445 |
| Expenditure towards Corporate Social Responsibility (CSR) activities [refer note A below] | 5 | 15 |
| Sub-contractor charges | 6,501 | 3,792 |
| Communication expense | 269 | 353 |
| Legal and professional charges [refer note B below] | 462 | 599 |
| Recruitment expenses | 263 | 209 |
| Marketing expenses | 307 | 354 |
| Commission paid | 240 | 290 |
| Software license cost | 1,409 | 1,406 |
| Exchange differences (net) | 885 | - |
| Loss on disposal of fixed asset | 5 | - |
| Provision for doubtful debts (net) | 858 | 620 |
| Acquisition related receivables written off | 165 | - |
| Miscellaneous expenses | 260 | 241 |
| | 17,034 | 13,527 |

A .Corporate Social Responsibility (CSR) Expenditure :-

| | March 31, 2019 | March 31, 2018 |
|--|----------------|----------------|
| (a) Gross amount required to be spent by the company during the year | - | - |
| (b) Amount spent during the year on - | | |

| Particulars | In Cash** | Yet to be paid in Cash** | Total** |
|---|-----------|--------------------------|----------|
| Construction / Acquisition of any asset | - | - | - |
| | (-) | (-) | (-) |
| On purposes other than above | 5 | - | 5 |
| | (15) | (-) | (15) |
| Total | 5 | - | 5 |
| | (15) | (-) | (15) |

** Amount in brackets relate to Previous Year.

B. Payment to auditor

| | March 31, 2019 | March 31, 2018 |
|-------------------------------------|----------------|----------------|
| As Auditor : | | |
| Statutory audit fee | 20 | 18 |
| Tax audit fee | 1 | 1 |
| In other capacity : | | |
| Other services (certification fees) | 5 | 2 |
| Reimbursement of expenses | 2 | 2 |
| | 28 | 23 |

24 Contingent liabilities and other commitments

(All amounts in Indian Rupees Lacs)

| | March 31, 2019 | March 31, 2018 |
|---|----------------|----------------|
| a Guarantees | | |
| i) Guarantees given by banks on behalf of the Company for contractual obligations of the Company | 460 | 396 |
| b Other claims against Company not provided for in books | | |
| i) The Company had entered into Membership Interest Purchase Agreement on 29th May 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 INR 1,001 Lacs towards shortfall in working capital and accounts receivable for which the Company 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 INR 631 Lacs and have made a counterclaim of INR 5,584 Lacs for breach of earn-out/contingent payment. The Company'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. | | |
| c There are numerous interpretative issues relating to the Supreme Court (SC) judgement on PF dated 28th February, 2019. As a matter of caution, the Company has taken cognizance of the matter on a prospective basis from the date of the SC order. The Company will update its provision if any required, on receiving further clarity on the subject. | | |

25 Details on derivative instruments and Foreign currency exposures

- i) The Company is exposed to market risk which includes foreign currency risk and interest rate risk. The Company's senior management oversees the management of these risks. The Company's senior management ensures that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the company's policies and risk objectives. All derivative activities for risk management purposes are carried with requisite approvals, experience and supervision. It is the company's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

The Company enters into derivative financial instruments with banks. Interest rate swaps and foreign exchange forward contracts are valued using valuation techniques, which employs the use of market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.

Cash flow hedges

Foreign currency risk

Foreign exchange forward contracts measured at fair value and designated as hedging instruments in cash flow hedges of forecast sales in US dollar and EUR. These forecast transactions are highly probable, and is based on the Company's total expected sales in US dollar and EUR, respectively.

The Company has outstanding forward exchange contract to sell US dollars 75 lacs (INR 5,153 lacs) and EUR 5 lakhs (INR 350 lacs) (31 March 2018: US\$ 167 lacs, INR 10,846 lakhs and EUR 7 lacs, INR 524 lacs) to cover itself from movement in the foreign currency risk from highly probable sales. These contracts are expected to occur in the next year. The fair value gains of such instruments as at 31 March 2019 is INR 221 lacs (31 March 2018: INR 17 lacs)

Further the Company has also entered into interest rate swap arrangement with banks to swap variable interest designated as LIBOR + margin with a fixed rate of interest for the outstanding foreign currency term loan. The fair value gains of such instruments as at 31 March 2019 is INR 16 lacs (31 March 2018: Loss INR 32 lacs)

Happiest Minds Technologies Private Limited

Notes to Consolidated financial statements for the year ended March 31, 2019

ii) Details of foreign currency exposures as per the Guidance Note on Accounting for Derivative Contracts :

The details of foreign currency exposures disclosed below consists of all foreign currency assets and liabilities. The Company has designated derivative forward contracts entered into as hedging instruments. 'Hedges by derivative contracts' disclosed below represent value of contracts whose maturity coincides with the tenure of the underlying exposure

| FCY | Particulars | (All amounts in Indian Rupees Lacs) | | | | |
|--|--|-------------------------------------|-----------------|-----------------|-----------------|------------|
| | | March 31, 2019 | | March 31, 2018 | | |
| | | Amt in FCY lacs | Amt in INR Lacs | Amt in FCY lacs | Amt in INR Lacs | |
| USD | Receivables | 147 | 10,171 | 122 | 7,938 | |
| | Other monetary assets | 16 | 1,136 | 19 | 1,204 | |
| | Total (A) | 163 | 11,307 | 141 | 9,142 | |
| | Hedged by derivative contracts (B) | 75 | 5,153 | 167 | 10,846 | |
| | Unhedged receivables (C) = (A) - (B) | 88 | 6,154 | - | - | |
| | Borrowings | 96 | 6,610 | 139 | 9,051 | |
| EUR | Other monetary liabilities | 40 | 2,797 | 21 | 1,363 | |
| | Unhedged payables | 136 | 9,407 | 160 | 10,414 | |
| | GBP | Receivables | 5 | 417 | 11 | 859 |
| | | Other monetary assets ** | 1 | 11 | - | 10 |
| | | Total (A) | 6 | 428 | 11 | 869 |
| | | Hedged by derivative contracts (B) | 5 | 350 | 7 | 524 |
| Unhedged receivables (C) = (A) - (B) | | 1 | 78 | 4 | 345 | |
| Other monetary liabilities | | 1 | 92 | 1 | 58 | |
| GBP | Unhedged payables | 1 | 92 | 1 | 58 | |
| | Receivables | 13 | 1,194 | 6 | 526 | |
| | Other monetary assets | 1 | 134 | 1 | 67 | |
| | Total (A) | 14 | 1,328 | 7 | 593 | |
| | Hedged by derivative contracts (B) | - | - | - | - | |
| | Unhedged receivables (C) = (A) - (B) | 14 | 1,328 | 7 | 593 | |
| GBP | Other monetary liabilities | 6 | 527 | 5 | 418 | |
| | Unhedged payables | 6 | 527 | 5 | 418 | |

** Represents the figures below the rounding off norms adopted by the Company

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26 Employee benefit plans

i) **Defined Contribution Plan:**

The Company has recognised Rs.1,706 lacs (previous year: Rs.1,670 lacs) as expense in the Statement of Profit and Loss in respect of contributions to provident fund and other contribution plans, which is disclosed under 'Contribution to Provident Funds and other contribution plans' in Note 20

ii) **Defined Benefit Plan (funded):**

The Company has a defined benefit gratuity plan as per The Payment of Gratuity Act, 1972 (included as part of Salaries and Wages in Note 20 Employee benefits expense) to its employees under defined benefit plans. The following tables summarize the components of net benefit expense recognized in the statement of profit and loss and the funded status and amounts recognized in the balance sheet for the respective plans

| Balance sheet | (All amounts in Indian Rupees Lacs) | |
|----------------------------|-------------------------------------|-----------------------|
| Particulars | March 31, 2019 | March 31, 2018 |
| Fund Balance | | |
| Defined benefit obligation | 1,200 | 969 |
| Fair value of plan assets | 40 | 37 |
| Plan Liability | 1,160 | 932 |

The change in benefit obligation and funded status of the gratuity plan is as follows:

Change in defined benefit obligations (DBO) during the year

| | | |
|--|--------------|------------|
| Present value of DBO at beginning of the year | 969 | 665 |
| Current service cost | 236 | 209 |
| Liability transferred on acquisition | - | 144 |
| Interest cost | 70 | 44 |
| Actuarial (gains) | (3) | (19) |
| Experience adjustment | 47 | 30 |
| Benefits paid | (119) | (104) |
| Present value of DBO at the end of the year | 1,200 | 969 |

(This space is intentionally left blank)

(All amounts in Indian Rupees Lacs)

| | March 31, 2019 | March 31, 2018 |
|---|----------------|----------------|
| Changes in Fair Value of Plan assets | | |
| Fair Value of Plan assets at the beginning of the year | 37 | 34 |
| Expected return on plan assets | 3 | 2 |
| Actuarial (loss) | (1) | (0) |
| Actual contribution | 120 | 105 |
| Benefits paid | (119) | (104) |
| Fair Value of Plan assets at the end of the year | 40 | 37 |

Statement of profit and loss

Components of net benefit cost

| | | |
|--|------------|------------|
| Current service cost | 236 | 209 |
| Interest cost | 70 | 44 |
| Expected return on planned asset | (3) | (2) |
| Experience adjustment | 47 | 30 |
| Net actuarial (gain)/loss recognised during the year | (2) | (19) |
| Net Gratuity Cost | 348 | 262 |
| Actual return on plan asset | (2) | (2) |

Amounts recognized in current year and previous year.

| | March 31, 2019 | March 31, 2018 |
|--|----------------|----------------|
| Defined benefit obligation | 1,200 | 969 |
| Plan assets | 40 | 37 |
| Surplus/(Deficit) | (1,160) | (932) |
| Experience adjustments on plan liabilities gain/(loss) | 47 | 30 |
| Experience adjustments on plan assets gain/(loss) *** | (1) | (0) |

Actuarial assumptions

| | March 31, 2019 | March 31, 2018 |
|--------------------------------|----------------|----------------|
| Discount rate | 6.76% | 7.18% |
| Expected return on plan assets | 6.76% | 7.18% |
| Salary escalation | 9.00% | 8.00% |
| Attrition | 28% | 23% |
| Average Past Service | 2.52 years | 2.52 years |
| Retirement Age | 58 years | 58 years |

*** Represents the figures below the rounding off norms adopted by the Company

Notes

(a) The Company evaluates these assumptions based on its long-term plans of growth and industry standards and the expected contribution to the fund during the year ending March 31, 2020, is approximately Rs.220 lacs.

(b) The nature of allocation of the fund is only in debt based mutual funds of high credit rating.

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

27 Segment Reporting

The primary segment reporting format is determined to be business segments as the Company's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Company has structured its business and its financial reporting to be aligned to market needs. Accordingly, the Company has three reportable business segments as described below:

Infrastructure Management & Security Services (IMSS):

Infrastructure Management and Security Solutions (IMSS) group delivers integrated end-to-end infrastructure and security solutions with specialization in cloud, virtualization and mobility across a multitude of industry verticals and geographies. The group provides advisory, transformation, managed & hosted services and secure intelligence solutions to clients. 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 (DBS):

Digital Business Solutions group delivers high value, cost effective enterprise applications and customised solutions that enable organizations to be smarter and accelerate business transformations. The group provides advisory, design & 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):

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

A. Primary Segment

| April 1, 2018 to March 31, 2019 | | (All amounts in Indian Rupees Lacs) | | | |
|---|--------------|-------------------------------------|---------------|---------------|--|
| Particulars | IMSS | DBS | PES | Total | |
| Segment revenues | 13,121 | 18,410 | 28,027 | 59,558 | |
| Segment results | 2,246 | 3,409 | 11,682 | 17,337 | |
| Unallocable expenses {Refer (ii) below} | | | | (12,913) | |
| Unallocable income {Refer (ii) below} | | | | 422 | |
| Operating profit | | | | 4,846 | |
| Depreciation / amortisation | | | | (582) | |
| Finance costs | | | | (690) | |
| Impairment of goodwill | | | | (761) | |
| Impairment of goodwill on consolidation | | | | (986) | |
| Profit before taxes | | | | 1,827 | |
| Tax expense | | | | - | |
| Profit after taxes | | | | 1,827 | |
| Segment assets {Refer (i) below} | 4,103 | 3,787 | 7,197 | 15,087 | |
| Unallocated assets | | | | 23,547 | |
| Total Assets | 4,103 | 3,787 | 7,197 | 38,634 | |
| Segment liabilities {Refer (i) below} | 57 | 681 | 175 | 913 | |
| Unallocated liabilities | | | | 37,721 | |
| Total Liabilities | 57 | 681 | 175 | 38,634 | |
| Other segment information | | | | | |
| Capital expenditure | | | | 357 | |
| Depreciation and amortisation expense | | | | 582 | |
| Provision for doubtful debts / advances (net) no longer required written back | | | | 858 | |

| April 1, 2017 to March 31, 2018 | | | | | |
|---|--------------|--------------|--------------|----------------|--|
| Particulars | IMSS | DBS | PES | Total | |
| Segment revenues | 9,963 | 15,719 | 21,079 | 46,761 | |
| Segment results | 696 | 120 | 6,490 | 7,306 | |
| Unallocable expenses {Refer (ii) below} | | | | (9,661) | |
| Unallocable income {Refer (ii) below} | | | | 1,672 | |
| Operating profit | | | | (683) | |
| Depreciation / amortisation | | | | (687) | |
| Finance costs | | | | (606) | |
| Profit before taxes | | | | (1,976) | |
| Tax expense | | | | - | |
| Profit after taxes | | | | (1,976) | |
| Segment assets {Refer (i) below} | 2,166 | 3,711 | 5,119 | 10,996 | |
| Unallocated assets | | | | 24,469 | |
| Total Assets | 2,166 | 3,711 | 5,119 | 35,465 | |
| Segment liabilities {Refer (i) below} | 101 | 232 | 110 | 443 | |
| Unallocated liabilities | | | | 35,022 | |
| Total Liabilities | 101 | 232 | 110 | 35,465 | |
| Other segment information | | | | | |
| Capital Expenditure | | | | 422 | |
| Depreciation and amortisation expense | | | | 687 | |
| Provision for doubtful debts / advances (net) no longer required written back | | | | 620 | |

Happiest Minds Technologies Private Limited**Notes to Consolidated financial statements for the year ended March 31, 2019****B. Secondary Segment**

The Company's secondary segments are the geographic distribution of activities. Revenue and receivables are specified by location of customers while the other geographic information is specified by location of the assets. The following tables present revenue, expenditure and certain asset information regarding the Company's geographical segments:

(All amounts in Indian Rupees Lacs)

| Revenues (Net) | March 31, 2019 | March 31, 2018 |
|----------------|----------------|----------------|
| | USA | 44,831 |
| Europe | 5,359 | 5,294 |
| India | 7,517 | 5,541 |
| Others | 1,851 | 1,613 |
| | 59,558 | 46,761 |

The following is the carrying amount of assets by geographical area in which the assets are located:

| | Carrying amount of assets | | Capital expenditure | |
|--------|---------------------------|----------------|---------------------|----------------|
| | March 31, 2019 | March 31, 2018 | March 31, 2019 | March 31, 2018 |
| USA | 9,343 | 7,124 | 10 | 20 |
| Europe | 1,541 | 1,503 | - | - |
| India | 27,390 | 26,477 | 347 | 402 |
| Others | 360 | 361 | - | - |
| | 38,634 | 35,465 | 357 | 422 |

(i) Assets (other than accounts receivable and unbilled Revenue) and liabilities (other than unearned revenue) of the Company are used interchangeably between segments, and the management believes that it is currently not practical to provide segment disclosures relating to these assets and liabilities since a meaningful segregation is not possible.

(ii) The expense / income that are not directly attributable and that cannot be allocated to a business segment on a reasonable basis are shown as unallocable expenses.

28 Related parties disclosure**(i) Details of Related Parties under AS-18 with whom transactions have taken place during the year.**

| Description of Relationship | Name of Related Parties |
|---|--|
| Key Management Personnel (KMP) | 1. Ashok Soota (Executive Chairman) 2. Venkatraman N (Director) w.e.f January 16, 2018 3. Girish Paranjpe (Director) w.e.f June 27, 2017 4. Sashi Kumar (Managing Director) until February 01, 2018 |
| Trust in which key management personnel are the Board of Trustees | Happiest Minds Technologies Share Ownership Plans Trust |

(ii) Additional Parties as per Companies Act 2013, with whom transaction has taken place during the year.

| Description of Relationship | Name of Related Parties |
|-----------------------------|-------------------------|
| Chief Financial Officer | Venkatraman N |

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Happiest Minds Technologies Private Limited**Notes to Consolidated financial statements for the year ended March 31, 2019****A. Remuneration to Key managerial personnel [refer note (i) below]**

(All amounts in Indian Rupees Lacs)

| Name | Description | March 31, 2019 | March 31, 2018 |
|------------------|-------------------------|-----------------------|-----------------------|
| Ashok Soota | Salary and perquisites | 88 | 85 |
| Sashi Kumar | Salary and perquisites | - | 243 |
| | ESOP Costs | - | 19 |
| Girish Paranjape | Director's sitting fees | 12 | 7 |
| Venkatraman N | Salary and perquisites | 79 | 76 |
| | ESOP Costs | 4 | 3 |

(i) As the future liability for gratuity and leave encashment is provided on an actuarial basis for the Company as a whole, the amount pertaining to the key managerial personnel is not ascertainable and, therefore, not included above.

B. Other Transactions

| Name | Description | March 31, 2019 | March 31, 2018 |
|---|---|-----------------------|-----------------------|
| Ashok Soota | Personal guarantee given for total loan facility sanctioned for the Company | - | 1,500 |
| Girish Paranjape | Issue of 100,000 (previous year: 80,000) Employee stock options at Rs. 26 | - | - |
| Venkatraman N | Issue of 150,000 (previous year: 50,000) Employee stock options at Rs. 26 | - | - |
| Happiest Minds Technologies Share Ownership Plans Trust | Advances given / Receivable (Net) | 245 | 347 |

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29 Goodwill on acquisition of business

- A.** The Company had entered into Business Transfer agreement with OSS Cube Solutions Limited on 29th May 2017 to acquire certain assets and liabilities as detailed below. The Company had completed the purchase price allocation in respect of the acquisition in the previous year. The following table represent the final allocation of purchase price: -

(All amounts in Indian Rupees Lacs)

| Particulars | Amounts |
|--|--------------|
| Purchase consideration (A) | 2,130 |
| Book value of assets transferred: | |
| Tangible assets | 31 |
| Intangible assets - computer software | 63 |
| Long term loans & advances | 37 |
| Trade receivables | 85 |
| Total Assets (B) | 216 |
| Provision for gratuity | 144 |
| Provision for compensated absences | 41 |
| Total liabilities (C) | 185 |
| Net Assets (D=B-C) | 31 |
| Goodwill (A-D) | 2,099 |

The excess of purchase consideration over the fair value of the net assets acquired is recognized as goodwill. The Company has not acquired any identifiable intangible assets pursuant to above acquisition. The Company will test for impairment of Goodwill on an annual basis.

- B** The Company had entered into Business Transfer Agreement ('BTA') with Cupola Technology Pvt. Ltd on 9th May 2017 to acquire its business for total consideration amounting to Rs. 1,585 lakhs which includes upfront payment and deferred consideration payable on achievement of revenue, EBITDA and PBT targets provided in the BTA. The Company has not acquired any assets and liabilities from the seller. The Company has accounted for present value of total purchase consideration amounting to Rs. 1,431 lakhs as goodwill. Further, the Company has not acquired any identifiable intangible assets pursuant to above acquisition. The Company will test for impairment of Goodwill on an annual basis.
- C** During the year, the Company has carried annual impairment testing for both the above acquisitions as at December 31, 2018. Each of these acquisitions was considered as a separate cash-generating unit's (CGU) for the purpose of impairment assessment. The Company based on detailed valuation by an independent external valuer has identified recoverable value of each of the CGU. Accordingly an impairment amounting to INR 761 lacs was accounted in the statement of profit and loss during the year against goodwill accounted pursuant to acquisition of OSS Cube Solutions Limited.

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30 Leases

(i) Finance lease: Company as lessee

The Company has entered into finance lease arrangements for Computer systems and Vehicles, which provide the Company an option to purchase the assets at the end of the lease period. These lease arrangements range for a period between 36 and 60 months. However, there is no escalation clause. Future minimum lease payments (MLP) under finance leases together with the present value of the net MLP are as follows:

(All amounts in Indian Rupees Lacs)

| Particulars | March 31, 2019 | | March 31, 2018 | |
|---|------------------------|---|------------------------|---|
| | Minimum Lease payments | Present Value of Minimum Lease Payments | Minimum Lease payments | Present Value of Minimum Lease Payments |
| Not later than one year | 289 | 246 | 367 | 325 |
| Later than one year but not later than five years | 331 | 294 | 340 | 311 |
| Total minimum lease payment | 620 | 540 | 707 | 636 |
| Less: Amounts representing finance charges | 80 | | 71 | |
| Present value of minimum lease payments | 540 | 540 | 636 | 636 |
| Not later than one year | 246 | | 325 | |
| Later than one year and not later than five years | 294 | | 311 | |

(ii) Operating lease: Company as lessee

The Company takes properties for its offices premises under cancellable and non-cancellable operating lease agreements. These agreements are executed for periods ranging from 4 to 5 years with a non-cancellable period at the beginning of the agreement ranging from 2 to 4 years and renewable by mutual consent, at the end of lease period. The future minimum rental payments in respect of the non-cancellable leases are as follows:

| Particulars | March 31, 2019 | March 31, 2018 |
|---|----------------|----------------|
| Not later than one year | 1,318 | 1,252 |
| Later than one year and not later than five years | 1,054 | 1,447 |

31 Earnings per share [EPS]

The following reflects the profit and share data used in the basic and diluted EPS computations:

| Particulars | March 31, 2019 | March 31, 2018 |
|---|----------------|----------------|
| Profit after tax (Amount in INR Lacs) | 1,827 | (1,976) |
| Weighted number of shares considered for EPS : | | |
| Basic EPS | 37,164,815 | 36,772,762 |
| Dilutive EPS | 140,234,951 | Note A |
| Basic (amount in INR) [nominal value per share Rs.2 (previous year : Rs.2)] | 4.92 | (5.37) |
| Diluted (amount in INR) [nominal Value per share Rs. 2 (previous year : Rs. 2)] | 1.30 | Note A |

Note A: Potential equity shares are anti-dilutive in nature for FY 2017-18

32 Taxes on Income

As at March 31, 2019 the Company has a net deferred tax asset mainly relating carry forward business losses which have not been recognized in these accounts in the absence of virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

Happiest Minds Technologies Private Limited**Notes to Consolidated financial statements for the year ended March 31, 2019****33 Service Tax Credit Refund Receivable and Goods & Service Tax (GST) Credit**

The Company has recognised Service tax refund receivable aggregating to Rs.35 lacs (2018: Rs.35 lacs). During previous years, the Company had filed refund claims aggregating to Rs.157 lacs with the revenue authorities and received Rs.122 lacs during the previous year and the balance receivable were disputed by the authorities. The Company had received favourable order from the Commissioner of Central Tax (A) against the aforementioned receivables. But the Commissioner of Service tax has issued show cause notice seeking further details to process the refund claim. The Company replied to show cause notice on 4th March 2019 with details sought. The management is confident that the balance refund claim will be received. Therefore, the Service tax refund receivable as at the balance sheet date is considered good and recoverable.

34 Additional Information on entities included in the Consolidated Financial Statement

| Name of the Entity | Net Assets i.e. Total Assets - Total Liabilities | | Share in Profit or Loss | |
|---|--|---------------|------------------------------------|----------------|
| | As % of Consolidated Net Assets | Amount | As % of Consolidated Profit / Loss | Amount |
| Holding Company | | | | |
| Happiest Minds Technologies Private Limited | 100% | 20,747 | 144% | 2,640 |
| Previous year | 93% | 17,261 | 66% | (1,308) |
| Subsidiary - Foreign | | | | |
| Happiest Minds Technologies LLC, USA | 0% | (69) | -44% | (813) |
| Previous year | 7% | 1,275 | 34% | (668) |
| Total | 100% | 20,678 | 100% | 1,827 |
| (Previous year) | 100% | 18,536 | 100% | (1,976) |

35 Subsequent Event

The members of the Company at their Extraordinary General Meeting held on April 16, 2019 by way of special resolution resolved, to write off the accumulated losses of the Company amounting to Rs.17,233 lacs, being the deficit in statement of Profit & Loss as on March 31, 2018, against the Securities Premium by way of a scheme of capital reduction ("Scheme"). The Scheme is subject to regulatory and other approvals.

As per AS-4 "Contingencies and events occurring after balance sheet date", Events occurring after the balance sheet date which do not affect the figures stated in the financial statements would not normally require disclosure in the financial statements although they may be of such significance that they may require a disclosure in the report of the approving authority to enable users of financial statements to make proper evaluations and decisions. Hence, no adjustment has been made in the financial statement.

36 Previous year numbers are regrouped / reclassified wherever necessary to conform to current year's classification.

For S.R. BATLIBOI & ASSOCIATES LLP

Firm Registration No (FRN): 101049W/E300004
CHARTERED ACCOUNTANTS

**For and on behalf of the Board of Directors of
Happiest Minds Technologies Private Limited**

per Sumit Mehra
Partner
Membership No. 096547

Ashok Soota
Executive Chairman
DIN 00145962

Venkatraman. N
Director & CFO
DIN 01856347

Praveen Darashankar
Company Secretary
FCS No.: F6706

Place: Bangalore
Date: June 21, 2019

Place: Bangalore
Date: June 21, 2019