

**INDEPENDENT AUDITOR'S REPORT**

To the Members of Happiest Minds Technologies Private Limited

**Report on the Audit of the Standalone Ind AS Financial Statements****Opinion**

We have audited the accompanying standalone Ind AS financial statements of Happiest Minds Technologies Private Limited ("the Company"), which comprise the Balance sheet as at March 31 2020, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the standalone Ind AS 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 and based on the consideration of reports of other auditors on separate Ind AS financial statements and on the other financial information of the Happiest Minds Technologies Share Ownership Plans Trust (the "ESOP Trust"), the aforesaid standalone Ind AS 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, 2020, their profit including other comprehensive income, its cash flows and changes in equity for the year ended on that date.

**Basis for Opinion**

We conducted our audit of the standalone Ind AS 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 Ind AS 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 Ind AS 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 report, but does not include the standalone Ind AS financial statements and our auditor's report thereon.

Our opinion on the standalone Ind AS 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 Ind AS 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. The Board report is not made available to us as at date of this auditor's report. We have nothing to report in this regard.





**Responsibility of Management for the Standalone Ind AS 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 Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS 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 Ind AS 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 Ind AS Financial Statements**

Our objectives are to obtain reasonable assurance about whether the standalone Ind AS 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 Ind AS 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 Ind AS 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 with reference to financial statements 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 Ind AS financial statements, including the disclosures, and whether the standalone Ind AS 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.

#### **Other Matter**

We did not audit the financial statements and other financial information, in respect of the ESOP Trust, whose Ind AS financial statements include total assets of Rs. 1,068 lakhs, Rs. 517 lakhs and Rs. 566 lakhs as at March 31, 2020, March 31, 2019 and April 1, 2018, respectively, net assets of Rs. 1,051 lakhs, Rs. 363 lakhs and Rs. 115 lakhs as at March 31, 2020, March 31, 2019 and April 1, 2018, respectively, total revenues of Rs. Nil and net cash inflows of Rs. 250 lakhs, Rs. 35 lakhs and Rs. 25 lakhs for the years ended on that date. These Ind AS financial statements and other financial information have been audited by other auditor, which financial statements, other financial information and auditor's reports have been furnished to us by the management. The standalone Ind AS financial statements also include the ESOP Trust's share of net loss of Rs. 4.75 lakhs, Rs. 2 lakhs and Rs. 0.2 lakhs for the year ended March 31, 2020, March 31, 2019 and April 1, 2018, respectively, as considered in the standalone financial statements, in respect of the ESOP Trust whose financial statements, other financial information have been audited by other auditor and whose reports have been furnished to us by the Management. Our opinion on the standalone Ind AS financial statements, in so far as it relates to the amounts and disclosures included in respect of this ESOP Trust, and our report in terms of sub-sections (3) of Section 143 of the Act, in so far as it relates to the aforesaid trust, is based solely on the report(s) of such other auditor.

#### **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 / the other auditors whose reports we have relied upon have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid standalone Ind AS financial statements





# **S.R. BATLIBOI & ASSOCIATES LLP**


Chartered Accountants

- (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 and reports of the other auditors;
- (c) The Balance Sheet, the Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;
- (d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;
- (e) On the basis of the written representations received from the directors as on March 31, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 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 Ind AS 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, 2020;
- (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 and based on the consideration of the report of the other auditors on separate financial statements and other financial information of the ESOP Trust as noted in the 'Other matter' paragraph:
  - i. The Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements – Refer Note 39 to the standalone Ind AS 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

  
per **Sumit Mehra**  
Partner  
Membership Number: 096547  
UDIN: 20096547AAAAAM3898



Place of Signature: Bengaluru

Date: May 13, 2020



**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) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified 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 3(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, there are no loans, investments, guarantees, and securities given in respect of which provisions of section 185 and 186 of the Companies Act 2013 are applicable and hence not commented upon.
- (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) Undisputed statutory dues including provident fund, employees’ state insurance, income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax, goods and service tax, cess and other statutory dues have generally been regularly deposited with the appropriate authorities though there has been a slight delay in a few cases.
- (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, customs duty 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 term loans for the purposes for which they were 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 section 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 to us and on an overall examination of the balance sheet, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) are not applicable to the company and, not commented upon.
- (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.



# **S.R. BATLIBOI & ASSOCIATES LLP**

Chartered Accountants

- (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

Firm registration number: 101049W/E300004

  
per **Sumit Mehra**

Partner

Membership No.: 096547

UDIN: 20096547AAAAAM3898



Place of Signature: Bengaluru

Date: May 13, 2020



**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, 2020 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, 2020, 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

  
per Sumit Mehra

Partner

Membership Number: 096547

UDIN: 20096547AAAAAM3898



Place of Signature: Bengaluru

Date: May 13, 2020



**HAPPIEST MINDS TECHNOLOGIES PRIVATE LIMITED**  
**Standalone Balance Sheet as at 31 March 2020**  
*(All amounts in INR lakhs, unless otherwise stated)*

**Assets**

**Non-current assets**

|                                      |
|--------------------------------------|
| Property, plant and equipment        |
| Capital work-in-progress             |
| Goodwill                             |
| Other intangible assets              |
| Right-of-use assets                  |
| Intangibles assets under development |
| Investment                           |
| Financial assets                     |
| i. Loans                             |
| ii. Other financial asset            |
| Income tax assets (net)              |
| Other assets                         |

**Total non-current assets**

**Current assets**

|                                |
|--------------------------------|
| Financial assets               |
| i. Investments                 |
| ii. Trade receivables          |
| iii. Cash and cash equivalents |
| iv. Loans                      |
| v. Other financial assets      |
| Other assets                   |

**Total current assets**

**Total assets**

**Equity and liabilities**

**Equity**

|  |
|--|
| Equity share capital                         |
| Instruments entirely in the nature of equity |
| Other equity                                 |

**Total equity**

**Liabilities**

**Non-current liabilities**

|                       |
|-----------------------|
| Financial liabilities |
| i. Borrowings         |
| ii. Lease liabilities |
| Provisions            |

**Total non-current liabilities**

**Current liabilities**

|  |
|--|
| Contract liability   |
| Financial liabilities  |
| i. Borrowings  |
| ii. Lease liabilities  |
| iii. Trade payables  |
| (A) Total outstanding due to micro enterprises and small enterprises                       |
| (B) Total outstanding due to creditors other than micro enterprises and small enterprises. |
| iv. Other financial liabilities  |
| Provisions   |
| Other current liabilities  |

**Total current liabilities**

**Total liabilities**

**Total equity and liabilities**

**Summary of significant accounting policies**

The notes referred to above form an integral part of the Standalone Financial Statements.

As per our report of even date  
for **S.R. Batliboi & Associates LLP**  
Chartered Accountants  
ICAI Firm's Registration Number : 101049W/E300004

per Sumit Mehra  
Partner  
Membership no.: 096547

Place: Bengaluru, India  
Date: May 13, 2020



| Notes | As at<br>March 31, 2020 | As at<br>March 31, 2019 | As at<br>April 01, 2018 |
|-------|-------------------------|-------------------------|-------------------------|
| 3     | 91                      | 212                     | 262                     |
| 3     | -                       | -                       | 14                      |
| 4     | 611                     | 1,737                   | 2,498                   |
| 4     | 73                      | 197                     | 395                     |
| 5     | 3,005                   | 3,964                   | 5,398                   |
| 4     | 17                      | 17                      | -                       |
| 6     | -                       | -                       | 2,222                   |
| 7     | 767                     | 618                     | 575                     |
| 8     | 368                     | 233                     | 186                     |
| 9     | 1,335                   | 920                     | 584                     |
| 10    | 33                      | 48                      | 40                      |
|       | <b>6,300</b>            | <b>7,946</b>            | <b>12,174</b>           |
|       |                         |                         |                         |
| 12    | 8,337                   | 9,815                   | 13,862                  |
| 13    | 11,487                  | 12,752                  | 8,855                   |
| 14    | 4,350                   | 2,605                   | 1,522                   |
| 7     | 100                     | 187                     | 285                     |
| 8     | 19,174                  | 7,020                   | 1,247                   |
| 10    | 1,063                   | 854                     | 1,361                   |
|       | <b>44,511</b>           | <b>33,233</b>           | <b>27,132</b>           |
|       | <b>50,811</b>           | <b>41,179</b>           | <b>39,306</b>           |
|       |                         |                         |                         |
| 15    | 879                     | 597                     | 375                     |
| 16    | 3,634                   | 2,230                   | 2,229                   |
| 17    | 22,048                  | (9,586)                 | (12,528)                |
|       | <b>26,561</b>           | <b>(6,759)</b>          | <b>(9,924)</b>          |
|       |                         |                         |                         |
| 18    | 132                     | 850                     | 1,483                   |
| 19    | 1,731                   | 2,959                   | 4,265                   |
| 20    | 1,255                   | 940                     | 812                     |
|       | <b>3,118</b>            | <b>4,749</b>            | <b>6,560</b>            |
|       |                         |                         |                         |
| 21    | 781                     | 1,067                   | 514                     |
| 18    | 6,916                   | 6,012                   | 6,855                   |
| 19    | 1,812                   | 1,534                   | 1,415                   |
| 22    |                         |                         |                         |
|       | 12                      | 40                      | 38                      |
|       | 3,451                   | 2,867                   | 2,347                   |
| 23    | 6,397                   | 29,948                  | 30,018                  |
| 20    | 1,246                   | 998                     | 816                     |
| 24    | 517                     | 723                     | 667                     |
|       | <b>21,132</b>           | <b>43,189</b>           | <b>42,670</b>           |
|       | <b>24,250</b>           | <b>47,938</b>           | <b>49,230</b>           |
|       | <b>50,811</b>           | <b>41,179</b>           | <b>39,306</b>           |

for and on behalf of the Board of Directors:  
**Happiest Minds Technologies Private Limited**  
CIN : U72900KA2011PTC057931

Ashok Soota  
Executive Chairman  
DIN : 00145962

Place: Bengaluru, India  
Date: May 13, 2020

Praveen Darashankar  
Company Secretary  
FCS No.: F6706

Place: Bengaluru, India  
Date: May 13, 2020

Venkatraman Narayanan  
Director & Chief Financial Officer  
DIN : 01856347

Place: Bengaluru, India  
Date: May 13, 2020





**HAPPIEST MINDS TECHNOLOGIES PRIVATE LIMITED**  
**Standalone Statement of Profit and Loss for the year ended 31 March 2020**  
*(All amounts in INR lakhs, unless otherwise stated)*

|  | Notes | Year ended<br>March 31, 2020 | Year ended<br>March 31, 2019 |
|--|-------|------------------------------|------------------------------|
| <b>Income</b>  |       |                              |                              |
| Revenue from contract with customers   | 25    | 69,821                       | 59,036                       |
| Other income   | 26    | 1,598                        | 1,125                        |
| <b>Total income</b>  |       | <b>71,419</b>                | <b>60,161</b>                |
| <b>Expenses</b>  |       |                              |                              |
| Employee benefits expense  | 27    | 44,123                       | 38,142                       |
| Depreciation and amortisation  | 28    | 2,023                        | 2,024                        |
| Finance cost   | 29    | 799                          | 1,589                        |
| Other expenses   | 30    | 15,815                       | 15,012                       |
| <b>Total expenses</b>  |       | <b>62,760</b>                | <b>56,767</b>                |
| <b>Profit before exceptional items and tax</b>   |       | <b>8,659</b>                 | <b>3,394</b>                 |
| Exceptional Items  | 31    | 1,126                        | 2,983                        |
| <b>Profit before tax</b>   |       | <b>7,533</b>                 | <b>411</b>                   |
| Current tax  | 32    | 172                          | -                            |
| Adjustment of tax relating to earlier periods  | 32    | 18                           | -                            |
| <b>Profit for the year</b>   |       | <b>7,343</b>                 | <b>411</b>                   |
| <b>Other comprehensive income</b>  |       |                              |                              |
| <b>Other comprehensive income to be reclassified to profit or loss in subsequent periods</b>         |       |                              |                              |
| Net movement on effective portion of cash flow hedges  | 32    | (967)                        | 252                          |
| Income tax effect  |       | -                            | -                            |
|  |       | <b>(967)</b>                 | <b>252</b>                   |
| <b>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</b>     |       |                              |                              |
| Re-measurement gains/ (losses) on defined benefit plans  | 32    | (139)                        | (45)                         |
| Income tax effect  |       | -                            | -                            |
| <b>Net other comprehensive income not to be reclassified to profit or loss in subsequent periods</b> |       | <b>(139)</b>                 | <b>(45)</b>                  |
| <b>Other comprehensive income for the year, net of tax</b>   |       | <b>(1,106)</b>               | <b>207</b>                   |
| <b>Total comprehensive income for the year</b>   |       | <b>6,237</b>                 | <b>618</b>                   |
| <b>Earnings per equity share</b>   |       |                              |                              |
| Basic  | 33    | 7.21                         | 0.55                         |
| Diluted  | 33    | 5.49                         | 0.33                         |

**Summary of significant accounting policies**

The notes referred to above form an integral part of the Standalone Financial Statements.

As per our report of even date


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

  
per Sumit Mehra  
Partner  
Membership no.: 096547


Place: Bengaluru, India  
Date: May 13, 2020



for and on behalf of the Board of Directors:  
**Happiest Minds Technologies Private Limited**  
CIN : U72900KA2011PTC057931


  
Ashok Soota  
Executive Chairman  
DIN : 00145962

Place: Bengaluru, India  
Date: May 13, 2020

  
Venkatraman Narayanan  
Director & Chief Financial Officer  
DIN : 01856347

Place: Bengaluru, India  
Date: May 13, 2020



  
Praveen Darashankar  
Company Secretary  
FCS No.: F6706

Place: Bengaluru, India  
Date: May 13, 2020



**HAPPIEST MINDS TECHNOLOGIES PRIVATE LIMITED**  
**Standalone Statement of Cash Flows for the year ended 31 March 2020**  
*(All amounts in INR lakhs, unless otherwise stated)*

**Operating activities**

**Profit before tax**

Adjustments to reconcile profit before tax to net cash flows:

Depreciation and impairment of property, plant and equipment and right-of-use assets  
(Gain)/ loss on disposal of property, plant and equipment, net  
Share-based payment expense  
Gain on investment carried at fair value through profit and loss  
Gain on sale of investment carried at fair value through profit and loss  
Interest income  
Impairment of investment in subsidiary  
Impairment of goodwill  
Unrealised foreign exchange (gain)/ loss  
Impairment loss  
Acquisition related receivables written off  
Finance costs

Operating cash flow before working capital changes

Movements in working capital:

(Increase)/ decrease in trade receivables  
(Increase)/ decrease in loans  
(Increase)/ decrease in non-financial assets  
(Increase)/ decrease in financial assets  
Increase/ (decrease) in trade payables  
Increase/ (decrease) in financial liabilities  
Increase/ (decrease) in provisions  
Increase/ (decrease) in contract liabilities  
Increase/ (decrease) in other non-financial liabilities

Income tax paid

**Net cash flows from operating activities**

**Investing activities**

Purchase of property, plant and equipment  
Purchase of intangible assets  
Proceeds from sale of property, plant and equipment  
Investment in bank deposit  
Proceeds from sale of investments  
Interest received

**Net cash flows used in investing activities**

**Financing activities**

Repayment of long-term borrowings  
Proceeds / (repayment) of short term borrowings (net)  
Payment of principal portion of lease liabilities  
Payment of interest portion of lease liabilities  
Proceeds from exercise of share options  
Proceeds from issue of preference shares  
Interest paid

**Net cash flows used in financing activities**

Net increase in cash and cash equivalents

Net foreign exchange difference

Cash and cash equivalents at the beginning of the year

**Cash and cash equivalents at the end of the year**

**Components of cash and cash equivalents**

Balance with banks  
- on current account  
- in EEFC accounts  
Deposits with original maturity of less than three months  
Less : Bank overdraft

**Total cash and cash equivalents**

**Summary of significant accounting policies**

The notes referred to above form an integral part of the Standalone Financial Statements.

As per our report of even date

for **S.R. Batliboi & Associates LLP**

Chartered Accountants

ICAI Firm's Registration Number : 101049W/E3000004

per Sumit Mehra  
Partner  
Membership no.: 096547  
Place: Bengaluru, India  
Date: May 13, 2020



|  | For the year ended<br>March 31, 2020 | For the year ended<br>March 31, 2019 |
|--|--------------------------------------|--------------------------------------|
|--|--------------------------------------|--------------------------------------|

|     |                |                |
|-----|----------------|----------------|
|     | 7,533          | 411            |
|     | 2,023          | 2,024          |
|     | -              | 5              |
|     | 266            | 603            |
|     | (121)          | (659)          |
|     | (455)          | (113)          |
|     | (463)          | (294)          |
|     | -              | 2,222          |
|     | 1,126          | 761            |
|     | (173)          | 840            |
|     | 657            | 795            |
|     | -              | 165            |
|     | 799            | 1,589          |
|     | <b>11,192</b>  | <b>8,349</b>   |
|     | 1,330          | (4,991)        |
|     | (48)           | 153            |
|     | (194)          | 499            |
|     | (2,775)        | (824)          |
|     | 472            | 523            |
|     | 1,958          | 1,596          |
|     | 424            | 265            |
|     | (286)          | 553            |
|     | (206)          | 56             |
|     | 11,867         | 6,179          |
|     | (605)          | (336)          |
| (A) | <b>11,262</b>  | <b>5,843</b>   |
|     | (46)           | (79)           |
|     | (67)           | (24)           |
|     | -              | 8              |
|     | (9,769)        | (4,956)        |
|     | 2,054          | 4,819          |
|     | 379            | 181            |
| (B) | <b>(7,449)</b> | <b>(51)</b>    |
|     | (755)          | (747)          |
|     | 1,430          | (2,378)        |
|     | (1,659)        | (1,443)        |
|     | (412)          | (544)          |
|     | 442            | (177)          |
|     | -              | 21             |
|     | (326)          | (566)          |
| (C) | <b>(1,280)</b> | <b>(5,834)</b> |
|     | 2,533          | (42)           |
|     | 212            | 125            |
|     | 1,605          | 1,522          |
|     | <b>4,350</b>   | <b>1,605</b>   |

for and on behalf of the Board of Directors:

**Happiest Minds Technologies Private Limited**

CIN : U72900KA2011PTC057931

Ashok Soota  
Executive Chairman  
DIN : 00145962  
Place: Bengaluru, India  
Date: May 13, 2020

Venkatraman Narayanan  
Director & Chief Financial Officer  
DIN : 01856347  
Place: Bengaluru, India  
Date: May 13, 2020

Praveen Darashankar  
Company Secretary  
FCS No.: F6706  
Place: Bengaluru, India  
Date: May 13, 2020





**HAPPIEST MINDS TECHNOLOGIES PRIVATE LIMITED**  
**Standalone Statement of Changes in Equity for the year ended 31 March 2020**  
*(All amounts in INR lakhs, unless otherwise stated)*

**a) Equity share capital**

Equity shares of INR 2 each issued, subscribed and fully paid

At April 1, 2018

Issued during the year

Issue of shares by trust - refer note (i) below

Change on account of modification of ESOP - refer note (ii) below

At March 31, 2019

Issued during the year - refer note (iii) below

Issue of shares by trust - refer note (iv) below

At March 31, 2020

| No of Shares | Amount |
|--------------|--------|
| 18,755,367   | 375    |
| 731,831      | 13     |
| 10,326,054   | 207    |
| 29,835,252   | 597    |
| 12,225,000   | 245    |
| 1,840,925    | 37     |
| 43,899,177   | 879    |

**Note :**

(i) During the year ended March 31, 2019 Employee Benefit Trust (EBT) has issued 751,831 equity share to the employee on exercise of Employee Share Option Plan (ESOP).

(ii) As per Employee Share Option Plan (ESOP) in case of resignation of the employee, the employee is mandatorily required to surrender all the shares exercised pursuant to ESOP to the Company. The Company in its Board meeting held in January 2019, passed a resolution modifying the terms of ESOP with effect from March 31, 2019. Pursuant to modification in ESOP the employees who have completed vesting condition are allowed to retain the shares acquired pursuant to ESOP.

(iii) During the year ended March 31, 2020, an Series A 14% Non Cumulative compulsorily convertible preference (CCPS) shares holder has converted 75,000 CCPS into equity at a ratio of 1:163.

(iv) During the year ended March 31, 2020 Employee Benefit Trust (EBT) has issued 1,840,925 equity shares to the employee exercise of Employee Share Option Plan (ESOP).

**b) Instruments entirely in the nature of equity**

Series A 14% Non Cumulative compulsorily convertible preference shares (CCPS) of INR 652 each issued, subscribed and fully paid.

At April 1, 2018

Increase during the year

At March 31, 2019

Increase on account of modification of Series A 14% Non Cumulative compulsorily convertible preference (CCPS) - refer note (i) & (ii) below

Conversion into equity shares during the year - refer note (a) (iii) above

At March 31, 2020

| No of Shares | Amount |
|--------------|--------|
| 341,885      | 2,229  |
| 188          | 1      |
| 342,073      | 2,230  |
| 290,272      | 1,893  |
| (75,000)     | (489)  |
| 557,345      | 3,634  |

**Note :**

(i) On March 25, 2020, CMDB II has waived its right for exit option including the buyback for 167,173 Series A 14% Non Cumulative compulsorily convertible preference shares (CCPS). Upon waiver of rights, the existing CCPS classified as liability is treated as instrument entirely in nature of equity. These CCPS on date of modification is accounted at fair value. There is no gain/loss on derecognition of liability.

(ii) On July 1, 2019, Intel Capital Corporation ("Intel") has entered into a share purchase agreement with Mr. Ashok soota, pursuant to which Intel has sold 123,099 Series A 14% Non Cumulative compulsorily convertible preference shares (CCPS) to Mr. Ashok soota. Upon such transfer, the existing CCPS classified as liability is now treated as instruments entirely in the nature of equity.

**c) Other equity**

As at April 01, 2018

Profit for the year

Other comprehensive income

Net movement on effective portion of cash flow hedges

Total comprehensive income

Increase during the year

Transfer from Employee Share Option Plan (ESOP) liability on account of modification of ESOP - refer note

As at March 31, 2019

Profit for the year

Other comprehensive income

Net movement on effective portion of cash flow hedges

Total comprehensive income

Increase during the year

Exercise of share option by employees

Transferred to retained earnings for vested options forfeited

Change on account of modification of preference shares - refer note (b) (i) and (b) (ii) above

Reduction in capital - refer note (i) below

Fair value impact on account of modification in ESOP

Share-based payments expense

As at March 31, 2020

| Reserves and Surplus         |   |                             | Cash flow hedge reserve (Note 17) | Total equity |
|------------------------------|---|-----------------------------|-----------------------------------|--------------|
| Securities premium (Note 17) | Share options outstanding reserve (Note 17) | Retained earnings (Note 17) |                                   |              |
| 16,518                       | -   | (29,031)                    | (15)                              | (12,528)     |
| -                            | -   | 411                         | -                                 | 411          |
| -                            | -   | (45)                        | -                                 | (45)         |
| -                            | -   | -                           | 252                               | 252          |
| -                            | -   | 366                         | 252                               | 618          |
| 20                           | -   | -                           | -                                 | 20           |
| 2,064                        | 240   | -                           | -                                 | 2,304        |
| 18,602                       | 240   | (28,665)                    | 237                               | (9,586)      |
| -                            | -   | 7,343                       | -                                 | 7,343        |
| -                            | -   | (139)                       | -                                 | (139)        |
| -                            | -   | -                           | (967)                             | (967)        |
| -                            | -   | 7,204                       | -967                              | 6,237        |
| 245                          | -   | -                           | -                                 | 245          |
| 405                          | -   | -                           | -                                 | 405          |
| -                            | (52)  | 52                          | -                                 | -            |
| 24,481                       | -   | -                           | -                                 | 24,481       |
| (15,952)                     | -   | 15,952                      | -                                 | -            |
| -                            | -   | -                           | -                                 | -            |
| -                            | 266   | -                           | -                                 | 266          |
| 27,781                       | 454   | (5,457)                     | (730)                             | 22,048       |

(i) The Company had filed for capital reduction through NCLT and received an order on November 5, 2019 for writing off the accumulated losses of the Company being the debit balance of profit and loss Account as appearing in the Standalone Financial Statement of the Company as at March 31, 2018 prepared under previous GAAP ("Indian GAAP") with securities premium. The accumulated losses of the company as at March 31, 2018 is INR 17,233 Lacks and during the year ended March 31, 2019 the Company has earned a profit of INR 1,281 Lacks under Indian GAAP and the accumulated balance in profit and loss account as at March 31, 2019 was INR 15,952 Lacks. This balance has been written off in the current year.

**Summary of significant accounting policies**

The notes referred to above form an integral part of the Standalone Financial Statements.

As per our report of even date

for S.R. Batliboi & Associates LLP

Chartered Accountants

ICAI Firm's Registration Number : 101049W/E300004

per Sumit Mehra

Partner

Membership no.: 096547

Place: Bengaluru, India

Date: May 13, 2020

for and on behalf of the Board of Directors:

Happiest Minds Technologies Private Limited

CIN : U72900KA2011PTC057931

Ashok Soota  
Executive Chairman  
DIN : 00145962

Place: Bengaluru, India  
Date: May 13, 2020

Venkatraman Narayanan  
Director & Chief Financial Officer  
DIN : 01856347

Place: Bengaluru, India  
Date: May 13, 2020

Praveen Darashankar  
Company Secretary  
FCS No.: F6706

Place: Bengaluru, India  
Date: May 13, 2020





**HAPPIEST MINDS TECHNOLOGIES PRIVATE LIMITED**  
**Notes to the Standalone Financial Statements for the year ended March 31, 2020**  
*(All amounts in INR lakhs, unless otherwise stated)*

**Corporate Information**

Happiest Minds Technologies Private Limited ("the Company") is engaged in 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. The Company 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. The Company 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.

The Company is a private limited Company, incorporated and domiciled in India and has a branch office at United States of America, United Kingdom, Australia, Canada, Netherland, Singapore, Malaysia and Dubai. The registered office of the Company is situated at #53/1-4, Hosur Main Road, Madivala (next to Madivala Police Station) Bangalore 560068.

The Company's Standalone Financial Statement for the year ended March 31, 2020 were approved by Board of Directors on May 13, 2020.

**1 Basis of preparation of Standalone Financial Statement**

**a Statement of Compliance**

The Standalone Financial Statement of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) with effect from April 1, 2018.

The Standalone Financial Statements (SFS) of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) and presentation requirements of Division II of Schedule III to the Companies Act, 2013, (Ind AS compliant Schedule III), as applicable to the SFS.

For all periods up to and including the year ended 31 March 2019, the Company prepared its financial statements in accordance with accounting standards notified under the section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP or previous GAAP). These Standalone Financial Statement for the year ended 31 March 2020 are the first the Company has prepared in accordance with Ind AS. Refer to note 44 for information on how the Company adopted Ind AS.

As these are the Company's first financial statements prepared in accordance with Indian Accounting Standards (Ind AS), Ind AS - 101, First-time Adoption of Indian Accounting Standards has been applied. An explanation of how the transition to Ind AS has affected the previously reported financial position, financial performance and cash flows of the Company is provided in Note 44.

This note provides a list of the significant accounting policies adopted in the preparation of the Standalone Financial Statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

These Standalone Financial Statement have been prepared for the Company as a going concern on the basis of relevant Ind AS that are effective at the Company's annual reporting date, March 31, 2020.

The Standalone Financial Statement have been prepared on an accrual basis under the historical cost convention except for the following that are measured at fair value as required by relevant Ind AS:

- a) Defined benefit plan - plan assets measured at fair value
- b) Certain financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments)
- c) Derivative financial instruments
- d) Employee share based payments - cash settled transactions

**b Functional currency and presentation currency**

These Standalone Financial Statement are presented in India Rupee (INR), which is also functional currency of the Company. All the values are rounded off to the nearest lakhs (INR 00,000) unless otherwise indicated.

**c Use of estimates and judgements**

In preparing these Standalone Financial Statement, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of income and expenses during the period. Actual results may differ from these estimates.

Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding estimate. Changes in estimate are reflected in the financial statement in the period in which changes are made and, if material, their effects are disclosed in the notes to the Standalone Financial Statements.

Judgements:

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the Standalone Financial Statement is included in the following notes:

- Note 2 (c) and Note 2 (d)- Useful life of property, plant and equipment and intangible assets;
- Note 2 (g) - Lease classification;
- Note 2(i) - Financial instrument; and
- Note 2 (m) - Measurement of defined benefit obligations: key actuarial assumptions.



**HAPPIEST MINDS TECHNOLOGIES PRIVATE LIMITED**  
**Notes to the Standalone Financial Statements for the year ended March 31, 2020**  
*(All amounts in INR lakhs, unless otherwise stated)*

**1 Basis of preparation of Standalone Financial Statement (continued)**

Assumption and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 March, 2020 is included in the following notes:

- Note 2 (e) - Impairment test of non-financial assets; key assumptions underlying recoverable amounts including the recoverability of expenditure on internally-generated intangible assets;
- Note 2 (o) - Recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used;
- Note 2 (i) - Impairment of financial assets
- Note 2 (q) - Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources;

**d Current and non-current classification**

The Company presents assets and liabilities in the balance sheet based on current/ non-current classification.

An asset is treated as current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is treated as current when:

- It is expected to be settled in normal operating cycle,
- It is held primarily for the purpose of trading,
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Company has identified twelve months as its operating cycle.

**2 Significant accounting policies**

The accounting policies set out below have been applied consistently to the periods presented in these Standalone Financial Statement.

**a Revenue recognition**

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

Revenue from the rendering of services and sale of licence is recognised when the Company satisfies its performance obligations to its customers as below:

**Rendering of engineering services**

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

*(This space is intentionally left blank)*



**HAPPIEST MINDS TECHNOLOGIES PRIVATE LIMITED**  
**Notes to the Standalone Financial Statements for the year ended March 31, 2020**  
*(All amounts in INR lakhs, unless otherwise stated)*

**2 Significant accounting policies (Continued)**

**Trade receivables**

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

**Variable consideration**

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

**Sale of licences**

The Company is a reseller for sale of right to use licences and acting as agent in the arrangement. The revenue for sale of right to use licence is recognised at point in time when control on use of licence is transferred to the customer.

**Contract balances**

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

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

**Interest income**

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

For all financial instruments measured at amortised cost, interest income is recorded using the effective interest rate, which is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in other income in the statement of profit and loss.

**Dividend income**

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

*(This space is intentionally left blank)*

## **2 Significant accounting policies (Continued)**

### **b Business Combination**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value. Acquisition-related costs are expensed as incurred and included in other expenses.

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

- Deferred tax assets or liabilities, and the assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with Ind AS 12 Income Tax and Ind AS 19 Employee Benefits respectively.
- Liabilities or equity instruments related to share based payment arrangements of the acquiree or share – based payments arrangements of the Company entered into to replace share-based payment arrangements of the acquiree are measured in accordance with Ind AS 102 Share-based Payments at the acquisition date.
- Assets (or disposal Company's) that are classified as held for sale in accordance with Ind AS 105 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.
- Reacquired rights are measured at a value determined on the basis of the remaining contractual term of the related contract. Such valuation does not consider potential renewal of the reacquired right.

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

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

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

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

### **c Property, plant and equipment**

Under the previous GAAP (Indian GAAP), property, plant and equipment were carried in the balance sheet on the basis of historical cost. For the transition to Ind AS, the Company has elected to continue with the carrying value for all of its property, plant and equipment recognised as of April 01, 2018 (date of transition to Ind AS) measured as per the previous GAAP and use that carrying value as its deemed cost as at the date of transition.

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

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

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

An item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gains or losses arising from derecognition are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit and loss when the asset is derecognised.

*(This space is intentionally left blank)*



**HAPPIEST MINDS TECHNOLOGIES PRIVATE LIMITED**  
**Notes to the Standalone Financial Statements for the year ended March 31, 2020**  
*(All amounts in INR lakhs, unless otherwise stated)*

**2 Significant accounting policies (Continued)**

Property, plant and equipment individually costing INR 5,000 or less are depreciated at 100% in the year in which such assets are ready to use.

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

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

| <b>Class of asset</b>  | <b>Useful life as per schedule II</b>                 | <b>Useful life as per Company</b> |
|------------------------|---|-----------------------------------|
| Furniture and fixtures | 10 years  | 5 years                           |
| Office equipment       | 5 years   | 4 years                           |
| Computer systems       | 6 years for servers<br>3 years for other than servers | 2.5-3 years                       |

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

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

**d Intangible assets**

The Company has restated its business combination from April 1, 2017 resulting into restatements of Goodwill, customer relationships and non-compete (refer note 43). For all other intangible assets, the Company has elected to continue with the carrying value for all of its Intangible assets recognised as of April 01, 2018 (date of transition to Ind AS) measured as per the previous GAAP and use that carrying value as its deemed cost as at the date of transition.

**Goodwill**

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

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

**Other intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

An item of intangible asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gains or losses arising from derecognition are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit and loss when the asset is derecognised.

**Amortisation methods and periods**

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

| <b>Asset</b>       | <b>Life in Years</b> |
|--------------------|----------------------|
| Computer software  | 2.5-3 years          |
| Non compete fees   | 3 years              |
| Customer relations | 3 years              |

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

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

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

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

## **2 Significant accounting policies (Continued)**

### **e Impairment of non-financial assets**

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) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

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

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

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or cash generating unit's (CGU's) recoverable amount. A previously recognised 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 recognised. 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 recognised for the asset in prior years. Such reversal is recognised in the statement of profit and loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash generating unit (CGU) (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

### **f Borrowing cost**

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

### **g Leases**

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

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

#### **Company as lessee**

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

#### **Right-of-use assets**

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

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

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



## **2 Significant accounting policies (Continued)**

### **Lease liabilities**

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

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

### **Short-term leases and leases of low-value assets**

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

### **Lease and non-lease component**

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

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

### **Extension and termination option**

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

## **h Investment in subsidiary**

The Company has elected to recognize its investments in subsidiary and associate companies at cost in accordance with the option available in Ind AS - 27, 'Separate Financial Statements', less accumulated impairment loss, if any. Cost represents amount paid for acquisition of the said investments. The details of such investment is given in note 6. Refer to the accounting policies in note 2(e) for policy on impairment of non-financial asset.

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

## **i Financial Instruments**

Financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### **Non-derivative financial instruments :**

#### **a) Financial assets**

##### **Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under Ind AS - 115.

*(This space is intentionally left blank)*

## HAPPIEST MINDS TECHNOLOGIES PRIVATE LIMITED

### Notes to the Standalone Financial Statements for the year ended March 31, 2020

(All amounts in INR lakhs, unless otherwise stated)

## 2 Significant accounting policies (Continued)

### a) Financial assets (continued)

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income (OCI), it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

### Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Debt instruments at amortised cost
- Debt instruments at Fair Value Through Other Comprehensive income (FVTOCI)
- Debt instruments, derivatives and equity instruments at Fair Value Through Profit and Loss (FVTPL)
- Equity instruments measured at Fair Value Through Other Comprehensive Income (FVTOCI)

### Debt instruments at amortised cost

A 'Debt instrument' is measured at the amortised cost if both the following conditions are met:

- a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in other income in the statement of profit and loss. The losses arising from impairment are recognised in the statement of profit and loss. This category generally applies to trade and other receivables. For more information on receivables, refer to Note 13.

### Debt instrument at Fair Value Through Other Comprehensive income (FVTOCI)

A 'Debt instrument' is classified as at the Fair Value Through Other Comprehensive income (FVTOCI) if both of the following criteria are met:

- a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
- b) The asset's contractual cash flows represent 'solely payments of principal and interest (SPPI)'.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognised in the other comprehensive income (OCI). However, the Company recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the statement of profit and loss. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to statement of profit and loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the Effective Interest Rate (EIR) method.

### Debt instrument at Fair Value Through Profit and Loss (FVTPL)

Fair Value Through Profit and Loss (FVTPL) is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as Fair Value Through Other Comprehensive income (FVTOCI), is classified as at FVTPL.

In addition, the Company may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). The Company has not designated any debt instrument as at FVTPL.

Debt instruments included within the FVTPL category are measured at fair value with all changes recognised in the statement of profit and loss.

### Equity investments

All equity investments in scope of Ind AS - 109 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which Ind AS - 103 applies are classified as at Fair Value Through Profit and Loss (FVTPL). For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Company decides to classify an equity instrument as at Fair Value Through Other Comprehensive income (FVTOCI), then all fair value changes on the instrument, excluding dividends, are recognised in the Other Comprehensive income (OCI). There is no recycling of the amounts from OCI to statement of profit and loss, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognised in the statement of profit and loss.



## **2 Significant accounting policies (Continued)**

### **Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e. removed from the Company's balance sheet) when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

### **Reclassification of financial assets**

The Company determines classification of financial assets on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Company's senior management determines change in the business model as a result of external or internal changes which are significant to the Company's operations. Such changes are evident to external parties. A change in the business model occurs when the Company either begins or ceases to perform an activity that is significant to its operations. If the Company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Company does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

### **Impairment of financial assets**

In accordance with Ind AS - 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

- a) Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, deposits, trade receivables and bank balance
- b) Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS - 115.

The Company follows 'simplified approach' for recognition of impairment loss allowance on:

- Trade receivables or contract revenue receivables

The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

*(This space is intentionally left blank)*

## **2 Significant accounting policies (Continued)**

### **b) Financial Liabilities :**

#### **Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts. The subsequent measurement of financial liabilities depends on their classification, which is described below.

#### **Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit and loss (FVTPL)

Financial liabilities at fair value through profit and loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at Fair Value Through Profit or Loss (FVTPL). Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by Ind AS - 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit and loss.

Financial liabilities designated upon initial recognition at fair value through profit and loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains or losses attributable to changes in own credit risk are recognised in other comprehensive income (OCI). These gains/ loss are not subsequently transferred to profit and loss. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit and loss. The Company has not designated any financial liability as at fair value through profit or loss.

### **c) Loans and Borrowings**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains or losses are recognised in the statement of profit and loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

This category generally applies to borrowings. For more information refer note 18

#### **Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit and loss.

### **d) Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company current has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

*(This space is intentionally left blank)*



## **2 Significant accounting policies (Continued)**

### **Derivative financial instruments and hedge accounting:**

#### **Initial recognition and subsequent measurement :**

The Company uses derivative financial instruments, such as forward currency contracts and interest rate swaps to hedge its foreign currency risks and interest rate risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income (OCI) and later reclassified to statement of profit and loss when the hedge item affects profit or loss or treated as basis adjustment if a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
- Hedges of a net investment in a foreign operation .

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

#### **Cash flow hedges**

The Company designates certain foreign exchange forward and interest rate swaps as cash flow hedges with an intention to hedge its existing liabilities and highly probable transaction in foreign currency. When a derivative is designated as a cash flow hedge instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and accumulated in the cash flow hedge reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the Statement of Profit and Loss. If the hedging instrument no longer meets the criteria for hedge accounting, then hedge accounting is discontinued prospectively. If the hedging instrument expires or is sold, terminated or exercised, the cumulative gain or loss on the hedging instrument recognised in cash flow hedge reserve till the period the hedge was effective remains in cash flow hedge reserve until the forecasted transaction occurs. The cumulative gain or loss previously recognised in the cash flow hedge reserve is transferred to the net profit in the Statement of Profit and Loss upon the occurrence of the related forecasted transaction. If the forecasted transaction is no longer expected to occur, then the amount accumulated in cash flow hedge reserve is reclassified to the Statement of Profit and Loss.

#### **Compulsory convertible preference shares**

Compulsory convertible preference shares (CCPS) are classified as a liability or equity components based on the terms of the contract and in accordance with Ind AS - 32 (Financial instruments: Presentation). CCPS issued by the Company classified as equity is carried at its transaction value and shown within "other equity". CCPS issued by the Company classified as liability is initially recognised at fair value (issue price). Subsequent to initial recognition, such CCPS is fair valued through the statement of profit and loss. On modification of CCPS from liability to equity, the CCPS is recorded at the fair value of CCPS classified as equity and the difference in fair value is recorded as a gain or loss on modification in the statement of profit and loss.

## **j Fair value measurement**

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk. All assets and liabilities for which fair value is measured or disclosed in the Standalone Financial Statement are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

## **2 Significant accounting policies (Continued)**

### **k Cash and cash equivalents**

Cash and cash equivalents in the balance sheet and cash flow statement comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the Standalone Statement of Cash Flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

### **l Foreign currency translation**

#### **(i) Functional and presentation currency:**

Items included in the Standalone Financial Statement of the company are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Indian rupee (INR), which is functional and presentation currency of the Company.

#### **ii) Transactions and balances:**

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in statement of profit and loss.

### **m Employee Benefits**

#### **Short-term obligations**

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employee's services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current financial liabilities in the balance sheet.

Accumulated leave, which is expected to be utilized 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.

#### **Other long-term employee benefit obligations**

The liabilities for leave balance are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefits are discounted using the market yields on government bonds at the end of the reporting period that have terms approximating to the terms of the related obligation. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in statement of profit and loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

#### **Post-employment obligations**

The company operates the following post-employment schemes:

- (a) defined benefit plans - gratuity, and
- (b) defined contribution plans such as provident fund.

#### **Gratuity obligations**

The liability or asset recognised in the balance sheet in respect of defined benefit gratuity plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have term approximating the term of the related obligation. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet. Such accumulated re-measurement balances are never reclassified into the statement of profit and loss subsequently.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

#### **Defined contribution plan**

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.



## **2 Significant accounting policies (Continued)**

### **n Employee share based payments**

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

As per Employee share option plan (ESOP) in case of resignation of the employee, the employee is mandatory required to surrender all the shares exercised pursuant to ESOP to the Company. The Company in its Board meeting held in January 2019, passed a resolution modifying the terms of ESOP with effect from March 31, 2019. Pursuant to modification in ESOP the employees is allowed to hold retain the shares acquired pursuant to ESOP.

#### **Cash-settled transactions:**

The Stock option plan of the Company, up to March 31, 2019 is classified as cash settled transaction based on the constructive obligation for settlement of option in cash.

The cost of cash-settled transactions is measured initially at fair value at the grant date. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to, and including the settlement date, with changes in fair value recognised in employee benefits expense.

#### **Modification of plan:**

The right for cash settlement of option is removed with effect from April 01, 2019 resulting into modification in plan from Cash settled to Equity settled transaction. The modification is accounted as per below principals:

- The equity-settled share-based payment transaction is measured by reference to the fair value of the equity instruments granted at the modification date i.e. April 01, 2019.
- The liability for the cash-settled share-based payment transaction as at the modification date is derecognised on that date.
- The difference between the carrying amount of the liability derecognised and the amount of equity recognised on the modification date is recognised immediately in the statement of profit and loss.

#### **Equity-settled transactions:**

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using a black Scholes model except for the option on date of modification of plan from cash settled to equity settled transaction (refer modification of plan).

That cost is recognised, together with a corresponding increase in employees stock option reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit and loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Company's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

*(This space is intentionally left blank)*

## **2 Significant accounting policies (Continued)**

### **o Taxation**

Income tax comprises of current tax and deferred tax. It is recognised in the statement of profit and loss except to the extent that it relates to an item recognised directly in the other comprehensive income.

#### **Current income tax**

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognised outside the statement of profit and loss is recognised outside profit and loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in other comprehensive income (OCI) or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

In the situations where Company is entitled to a tax holiday under the Income-tax Act, 1961 enacted in India or tax laws prevailing in the respective tax jurisdictions where they operate, no deferred tax (asset or liability) is recognised in respect of temporary differences which reverse during the tax holiday period, to the extent the concerned entity's gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of temporary differences which reverse after the tax holiday period is recognised in the year in which the temporary differences originate. However, the Company restricts recognition of deferred tax assets to the extent it is probable that sufficient future taxable income will be available against which such deferred tax assets can be realized. For recognition of deferred taxes, the temporary differences which originate first are considered to reverse first.

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts, and there is an intention to settle the asset and the liability on a net basis.

#### **Deferred tax**

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. Acquired deferred tax benefits recognised within the measurement period reduce goodwill related to that acquisition if they result from new information obtained about facts and circumstances existing at the acquisition date. If the carrying amount of goodwill is zero, any remaining deferred tax benefits are recognised in OCI/ capital reserve depending on the principle explained for bargain purchase gains. All other acquired tax benefits realised are recognised in statement of profit and loss.

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.



## **2 Significant accounting policies (Continued)**

### **Minimum Alternate Tax (MAT)**

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax for the year. The deferred tax asset is recognised for MAT credit available only to the extent that it is probable that the concerned 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, it is created by way of credit to the statement of profit and loss and shown as part of deferred tax asset. The company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent that it is no longer probable that it will pay normal tax during the specified period.

### **p Treasury shares**

The Company has created an Employee Benefit Trust (EBT) for providing share-based payment to its employees. The Company uses EBT as a vehicle for distributing shares to employees under the employee remuneration schemes. The EBT buys shares of the company from the employees and Company, for giving shares to employees. The Company treats EBT as its extension and shares held by EBT are treated as treasury shares.

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity share capital. No gain or loss is recognised in statement of profit and loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in ESOP liability / securities premium. Share options exercised during the reporting period are satisfied with treasury shares.

### **q Provisions and Contingent Liabilities**

#### **Provisions**

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

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

#### **Provision for warranty**

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.

#### **Contingent Liabilities**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that is not recognised 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 recognised because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses it in the Standalone Financial Statement, unless the possibility of an outflow of resources embodying economic benefits is remote.

### **r Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (CODM). The Company has identified three reportable segment based on the dominant source, nature of risks and return and the internal organisation and management structure and for which discrete financial information is available. The Executive Management Committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Refer note 41 for segment information and segment reporting.

### **s Earnings/(Loss) per share**

Basic earnings per share is calculated by dividing the net profit or loss attributable to equity holders of the Company (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period (including treasury share).

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 of the company and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares. The weighted average number of shares takes into account the weighted average effect of changes in treasury share transactions and CCPS during the year.

Ordinary shares that will be issued upon the conversion of a mandatorily convertible instrument are included in the calculation of basic earnings per share from the date the contract is entered into.

### **t Critical estimates and judgements**

The preparation of the Standalone Financial Statement requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of asset or liability affected in future periods. The areas involving significant estimates or critical judgements are:

**HAPPIEST MINDS TECHNOLOGIES PRIVATE LIMITED**  
**Notes to the Standalone Financial Statements for the year ended March 31, 2020**  
*(All amounts in INR lakhs, unless otherwise stated)*

**Significant estimates**

**(a) Defined benefit plans**

The cost of the defined benefit gratuity plan and other post-employment benefit and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate and future salary increases. Due to complexities involved in the valuation and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. The mortality rate is based on publicly available mortality table in India. The mortality tables tend to change only at interval in response to demographic changes. Further salary increases and gratuity increases are based on expected future inflation rates. Further details about the gratuity obligations are given in Note 34.

**(b) Impairment of Investment in subsidiary**

The Company has investment in subsidiary which have been tested for impairment as at the year end. Estimates involved in this assessment are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on these subsidiaries that are believed to be reasonable under the circumstances.

**(c) Revenue recognition**

The Company uses the percentage-of-completion method in accounting for its fixed-price contracts. Use of the percentage-of-completion method requires the Company to estimate the efforts or costs expended to date as a proportion of the total efforts or costs to be expended. Efforts or costs expended have been used to measure progress towards completion as there is a direct relationship between input and productivity.

Provisions for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the expected contract estimates at the reporting date.

**(d) Impact of pandemic**

The outbreak of Coronavirus (COVID-19) has been declared as a pandemic by the World Health Organisation has significantly impacted life and businesses around the globe. Governments across the world including India have taken drastic measures to contain the outbreak and has implemented a nation-wide lockdown.

The Group is engaged in the business of providing IT services including digital solutions, around product engineering, cloud, analytics, automation, infrastructure management, security, automated testing, etc. to enterprises across the world. The Group's customers are spread across geographies including the US, Europe, Asia and India.

**Critical judgements**

**Deferred taxes**

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all the deductible temporary differences, carry forward of unused tax credits and unused tax losses, however the same is restricted to the extent of the deferred tax liabilities unless it is probable that sufficient taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised. In the absence of reasonable certainty over recoverability of deferred taxes on carry forward losses no deferred tax assets have been recognised up to March 31, 2020.

*(This space is intentionally left blank)*



**HAPPIEST MINDS TECHNOLOGIES PRIVATE LIMITED**
**Notes to the Standalone Financial Statements for the year ended March 31, 2020**
*(All amounts in INR lakhs, unless otherwise stated)*
**3 Property, plant and equipment**

|                                 | Computer Systems | Office equipment | Furniture and fixtures | Leasehold improvements | Total      | Capital work-in-progress ('CWIP') |
|---------------------------------|------------------|------------------|------------------------|------------------------|------------|-----------------------------------|
| <b>Gross carrying amount</b>    |                  |                  |                        |                        |            |                                   |
| <b>Deemed cost</b>              |                  |                  |                        |                        |            |                                   |
| <b>As at April 01, 2018</b>     | <b>144</b>       | <b>95</b>        | <b>19</b>              | <b>4</b>               | <b>262</b> | <b>14</b>                         |
| Additions                       | 49               | 4                | 1                      | 25                     | 79         | -                                 |
| Transfers from CWIP             | -                | -                | -                      | 14                     | 14         | (14)                              |
| Disposals                       | -                | -                | -                      | -                      | -          | -                                 |
| <b>As at March 31, 2019</b>     | <b>193</b>       | <b>99</b>        | <b>20</b>              | <b>43</b>              | <b>355</b> | <b>-</b>                          |
| Additions                       | 23               | 17               | 3                      | 3                      | 46         | -                                 |
| Transfers from CWIP             | -                | -                | -                      | -                      | -          | -                                 |
| Disposals                       | -                | -                | -                      | -                      | -          | -                                 |
| <b>As at March 31, 2020</b>     | <b>216</b>       | <b>116</b>       | <b>23</b>              | <b>46</b>              | <b>401</b> | <b>-</b>                          |
| <b>Accumulated Depreciation</b> |                  |                  |                        |                        |            |                                   |
| <b>As at April 01, 2018</b>     | -                | -                | -                      | -                      | -          | -                                 |
| Charge for the year             | 80               | 41               | 9                      | 13                     | 143        | -                                 |
| Disposals                       | -                | -                | -                      | -                      | -          | -                                 |
| <b>As at March 31, 2019</b>     | <b>80</b>        | <b>41</b>        | <b>9</b>               | <b>13</b>              | <b>143</b> | <b>-</b>                          |
| Charge for the year             | 108              | 37               | 7                      | 15                     | 167        | -                                 |
| Disposals                       | -                | -                | -                      | -                      | -          | -                                 |
| <b>As at March 31, 2020</b>     | <b>188</b>       | <b>78</b>        | <b>16</b>              | <b>28</b>              | <b>310</b> | <b>-</b>                          |
| <b>Net book value</b>           |                  |                  |                        |                        |            |                                   |
| <b>As at April 01, 2018</b>     | <b>144</b>       | <b>95</b>        | <b>19</b>              | <b>4</b>               | <b>262</b> | <b>14</b>                         |
| <b>As at March 31, 2019</b>     | <b>113</b>       | <b>58</b>        | <b>11</b>              | <b>30</b>              | <b>212</b> | <b>-</b>                          |
| <b>As at March 31, 2020</b>     | <b>28</b>        | <b>38</b>        | <b>7</b>               | <b>18</b>              | <b>91</b>  | <b>-</b>                          |

**4 Intangible Assets \***

|                                 | Goodwill (Note 1) | Other intangible assets |             |                   |              | Intangibles assets under development |
|---------------------------------|-------------------|-------------------------|-------------|-------------------|--------------|--------------------------------------|
|                                 |                   | Customer relationships  | Non-compete | Computer software | Total        |                                      |
| <b>Gross carrying amount</b>    |                   |                         |             |                   |              |                                      |
| <b>Deemed cost</b>              |                   |                         |             |                   |              |                                      |
| <b>As at April 01, 2018</b>     | 2,498             | 204                     | 11          | 180               | 2,893        | -                                    |
| Additions                       | -                 | -                       | -           | 7                 | 7            | 17                                   |
| <b>As at March 31, 2019</b>     | <b>2,498</b>      | <b>204</b>              | <b>11</b>   | <b>187</b>        | <b>2,900</b> | <b>17</b>                            |
| Additions                       | -                 | -                       | -           | 67                | 67           | -                                    |
| <b>As at March 31, 2020</b>     | <b>2,498</b>      | <b>204</b>              | <b>11</b>   | <b>254</b>        | <b>2,967</b> | <b>17</b>                            |
| <b>Accumulated amortisation</b> |                   |                         |             |                   |              |                                      |
| Charge for the year             | -                 | 94                      | 5           | 106               | 205          | -                                    |
| Impairment charge               | 761               | -                       | -           | -                 | 761          | -                                    |
| <b>As at March 31, 2019</b>     | <b>761</b>        | <b>94</b>               | <b>5</b>    | <b>106</b>        | <b>966</b>   | <b>-</b>                             |
| Charge for the year             | -                 | 106                     | 5           | 80                | 191          | -                                    |
| Impairment charge               | 1,126             | -                       | -           | -                 | 1,126        | -                                    |
| <b>As at March 31, 2020</b>     | <b>1,887</b>      | <b>200</b>              | <b>10</b>   | <b>186</b>        | <b>2,283</b> | <b>-</b>                             |
| <b>Net book value</b>           |                   |                         |             |                   |              |                                      |
| <b>As at April 01, 2018</b>     | <b>2,498</b>      | <b>204</b>              | <b>11</b>   | <b>180</b>        | <b>2,893</b> | <b>-</b>                             |
| <b>As at March 31, 2019</b>     | <b>1,737</b>      | <b>110</b>              | <b>6</b>    | <b>81</b>         | <b>1,934</b> | <b>17</b>                            |
| <b>As at March 31, 2020</b>     | <b>611</b>        | <b>4</b>                | <b>1</b>    | <b>68</b>         | <b>684</b>   | <b>17</b>                            |

\*The Company has restated its business combination from April 1, 2017 resulting into restatements of Goodwill, customer relationships and non-compete (refer note 43). For all other intangible assets, the Company has elected to continue with the carrying value for all of its Intangible assets recognised as of April 01, 2018 (date of transition to Ind AS) measured as per the previous GAAP and use that carrying value as its deemed cost as at the date of transition.

**Note 1:**

The Goodwill of INR 1,887 lakhs relates to Business acquisition from OSS Cube Solutions Limited and INR 611 lakhs relates to the business acquisition from Cupola Technology Private Limited. The Company have allocated the goodwill to these two identified cash generating units (CGU). The Company tests whether goodwill has suffered any impairment on an annual basis. From the current and previous financial year, the recoverable amount of the CGU was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five year period.

**HAPPIEST MINDS TECHNOLOGIES PRIVATE LIMITED****Notes to the Standalone Financial Statements for the year ended March 31, 2020***(All amounts in INR lakhs, unless otherwise stated)***4 Intangible Assets - continued**

The following table sets out the key assumption for calculation of value in use for these cash generating units (CGU):

|                       | OSS Cube       |                | Cupola         |                |
|-----------------------|----------------|----------------|----------------|----------------|
|                       | March 31, 2020 | March 31, 2019 | March 31, 2020 | March 31, 2019 |
| Discount rate         | 16.78%         | 16.78%         | 16.64%         | 17.65%         |
| Long term growth rate | 2.00%          | 2.00%          | 4.00%          | 4.00%          |
| Sales growth          | 5.00%          | 20.00%         | 10.00%         | 15.00%         |

The discount rate is based on the Weighted Average Cost of Capital (WACC) which represents the weighted average return attributable to all the assets of the cash generating unit.

The company have recognised the goodwill impairment of INR 1,126 lakhs (FY 2018-19: INR 761 lakhs) relating to OSS Cube business during the year 2019-20. If the discount rate would have been higher by 1%, the Company would have had to recognise an additional impairment against the carrying amount of Goodwill of INR nil (FY 2018-19: INR 103 Lakhs)

There is no impairment noted in the Cupola cash generating unit (CGU) based on the assessment performed by the management. Management has performed sensitivity analysis around the base assumption and have concluded that no reasonable possible change in key assumptions would cause the recoverable amount of the Cupola CGU lower than the carrying amount of CGU.

**5 Right-of-use assets**

|                             | Computer systems | Buildings    | Motor vehicles | Total        |
|-----------------------------|------------------|--------------|----------------|--------------|
| <b>As at April 01, 2018</b> | 329              | 4,908        | 161            | 5,398        |
| Additions                   | 255              | -            | -              | 255          |
| Deletions                   | -                | -            | (13)           | (13)         |
| Depreciation                | (284)            | (1,324)      | (68)           | (1,676)      |
| <b>As at March 31, 2019</b> | <b>300</b>       | <b>3,584</b> | <b>80</b>      | <b>3,964</b> |
| Additions                   | 663              | 43           | -              | 706          |
| Deletions                   | -                | -            | -              | -            |
| Depreciation                | (291)            | (1,324)      | (50)           | (1,665)      |
| <b>As at March 31, 2020</b> | <b>672</b>       | <b>2,303</b> | <b>30</b>      | <b>3,005</b> |

Non-cash investing and financing activities disclosed in other notes are:

- (i) Acquisition of right-of-use assets - Amounts recognised in the balance sheet - Right-of-use assets - refer note 5
- (ii) Acquisition of right-of-use assets - Amounts recognised in the balance sheet - Lease liabilities - refer note 19

*(This space is intentionally left blank)*

**HAPPIEST MINDS TECHNOLOGIES PRIVATE LIMITED**  
**Notes to the Standalone Financial Statements for the year ended March 31, 2020**  
*(All amounts in INR lakhs, unless otherwise stated)*

**6 Investment**

**Unquoted, carried at cost less impairment**

**Investment in Limited liability company**

Happiest Mind Technologies LLC

Less: Impairment in value of investment\*

| March 31, 2020 | March 31, 2019 | April 01, 2018 |
|----------------|----------------|----------------|
| 2,222          | 2,222          | 2,222          |
| (2,222)        | (2,222)        | -              |
| -              | -              | <b>2,222</b>   |

Aggregate amount of quoted investment and market value thereof

Aggregate amount of unquoted investment

Aggregate amount of impairment in the value of investments

|         |         |       |
|---------|---------|-------|
| -       | -       | -     |
| 2,222   | 2,222   | 2,222 |
| (2,222) | (2,222) | -     |

\* Based on the internal assessment carried out, impairment is recorded against the membership interest in Happiest Mind Technologies LLC.

Note : Investment in subsidiary includes principal place of business and proportion of ownership interest:

| Name of entity                 | Nature     | Country of incorporation | Ownership interest held by Company in % |                |                |
|--------------------------------|------------|--------------------------|---|----------------|----------------|
|                                |            |                          | March 31, 2020                          | March 31, 2019 | April 01, 2018 |
| Happiest Mind Technologies LLC | Subsidiary | USA                      | 100                                     | 100            | 100            |

**7 Loans**

**Carried at amortised cost**

**Non-current**

Loans considered Good - Unsecured

Security deposit

|     |     |     |
|-----|-----|-----|
| 767 | 618 | 575 |
|-----|-----|-----|

Loans - credit impaired

Security deposit

|   |   |   |
|---|---|---|
| - | 2 | - |
|---|---|---|

|            |            |            |
|------------|------------|------------|
| <b>767</b> | <b>620</b> | <b>575</b> |
|------------|------------|------------|

Less: Allowance for credit impaired loans

|   |     |   |
|---|-----|---|
| - | (2) | - |
|---|-----|---|

|            |            |            |
|------------|------------|------------|
| <b>767</b> | <b>618</b> | <b>575</b> |
|------------|------------|------------|

**Current**

Loans considered Good - Unsecured

Loan to employees

|    |    |    |
|----|----|----|
| 64 | 41 | 46 |
|----|----|----|

Loan to related party

|   |     |   |
|---|-----|---|
| - | 110 | - |
|---|-----|---|

Security deposit

|    |    |     |
|----|----|-----|
| 36 | 36 | 239 |
|----|----|-----|

Loans - credit impaired

Loan to related party

|    |   |   |
|----|---|---|
| 53 | - | - |
|----|---|---|

Security deposit

|   |   |    |
|---|---|----|
| 1 | - | 38 |
|---|---|----|

|            |            |            |
|------------|------------|------------|
| <b>154</b> | <b>187</b> | <b>323</b> |
|------------|------------|------------|

Less: Allowance for credit impaired loans

|      |   |      |
|------|---|------|
| (54) | - | (38) |
|------|---|------|

|            |            |            |
|------------|------------|------------|
| <b>100</b> | <b>187</b> | <b>285</b> |
|------------|------------|------------|

*(This space is intentionally left blank)*



**(a) Other financial assets carried at amortised cost**  
(unsecured, considered good, unless otherwise stated)

**Non-current**

Fixed deposit with maturity of more than 12 months  
Margin money deposits - refer note (i) below

| March 31, 2020 | March 31, 2019 | April 01, 2018 |
|----------------|----------------|----------------|
| 183            | 17             | 33             |
| 185            | 216            | 153            |
| <b>368</b>     | <b>233</b>     | <b>186</b>     |

**(i) Margin money deposit is used to secure:**

Term loan - RBL bank  
Guarantees given

|     |     |     |
|-----|-----|-----|
| 135 | 135 | 135 |
| 50  | 81  | 17  |

**Current**

Fixed deposit with maturity of more than 12 months  
Margin money deposits - refer note (i) below  
Acquisition related receivables  
Interest accrued on fixed deposit  
Unbilled revenue  
Other receivables

|               |              |              |
|---------------|--------------|--------------|
| 10,185        | 1,351        | 37           |
| 4,422         | 3,622        | 27           |
| -             | -            | 165          |
| 71            | 55           | 4            |
| 4,471         | 1,730        | 932          |
| 6             | 23           | 15           |
| <b>19,155</b> | <b>6,781</b> | <b>1,180</b> |

Unbilled revenue - credit impaired  
Less: allowance for credit impaired loans

|               |              |              |
|---------------|--------------|--------------|
| 91            | 35           | 17           |
| (91)          | (35)         | (17)         |
| <b>19,155</b> | <b>6,781</b> | <b>1,180</b> |

**(i) Margin money deposit is used to secure:**

Working capital facility and bank overdrafts  
MTM shortfall  
Guarantees given

|       |       |    |
|-------|-------|----|
| 3,600 | 3,600 | -  |
| 40    | -     | -  |
| 782   | 22    | 27 |

**(b) Derivative instruments carried at fair value through OCI**

Cash flow hedges  
Foreign currency forward contracts  
Interest rate Swaps

|           |            |           |
|-----------|------------|-----------|
| 5         | 224        | 67        |
| 14        | 15         | -         |
| <b>19</b> | <b>239</b> | <b>67</b> |

**Total current financial assets**

|               |              |              |
|---------------|--------------|--------------|
| <b>19,174</b> | <b>7,020</b> | <b>1,247</b> |
|---------------|--------------|--------------|

**9 Income tax assets (net)**

**Non - current**

Income tax assets (net)

| March 31, 2020 | March 31, 2019 | April 01, 2018 |
|----------------|----------------|----------------|
| 1,335          | 920            | 584            |
| <b>1,335</b>   | <b>920</b>     | <b>584</b>     |

**10 Other assets**

**Non - current**

Prepaid expenses  
Balances with statutory / government authorities

| March 31, 2020 | March 31, 2019 | April 01, 2018 |
|----------------|----------------|----------------|
| 33             | 13             | 5              |
| -              | 35             | 35             |
| <b>33</b>      | <b>48</b>      | <b>40</b>      |

**Current**

Prepaid expenses  
Balances with statutory / government authorities  
Advance to Employees against expenses  
Advance to suppliers

|              |            |              |
|--------------|------------|--------------|
| 573          | 497        | 445          |
| 254          | 207        | 500          |
| 43           | 106        | 67           |
| 193          | 44         | 349          |
| <b>1,063</b> | <b>854</b> | <b>1,361</b> |

*(This space is intentionally left blank)*

**HAPPIEST MINDS TECHNOLOGIES PRIVATE LIMITED**  
**Notes to the Standalone Financial Statements for the year ended March 31, 2020**  
*(All amounts in INR lakhs, unless otherwise stated)*

**11 Deferred tax assets (net)**

The Company has a net deferred tax assets with respect to certain timing differences. These have not been recognised as the recognition criteria have not been met in accordance with the accounting policy followed by the Company.

The Company has not recognised the net deferred tax asset on the accumulated losses as there is no reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

|                           | March 31, 2020 | March 31, 2019 | April 01, 2018 |
|---------------------------|----------------|----------------|----------------|
| Deferred tax assets (net) | -              | -              | -              |
|                           | -              | -              | -              |

| Reconciliation of deferred tax liability (net)  | Amortisation of intangibles | Fair valuation of financial instrument | Fair valuation of financial instruments and others | Total |
|---|-----------------------------|--|--|-------|
| April 01, 2018  | (246)                       | (36)                                   | 282  | -     |
| Tax (Income)/expense during the period recognised in the statement of profit and loss | 129                         | (276)                                  | 147  | -     |
| March 31, 2019  | (117)                       | (312)                                  | 429  | -     |
| Tax (Income)/expense during the period recognised in the statement of profit and loss | 94                          | 266                                    | (360)  | -     |
| March 31, 2020  | (23)                        | (46)                                   | 69   | -     |

**Amounts on which Deferred tax asset has not been recorded as at year end:**

|  | March 31, 2020 | March 31, 2019 | April 01, 2018 |
|--|----------------|----------------|----------------|
| Depreciation on property, plant and equipment            | 106            | -              | -              |
| Impairment of goodwill                                   | 568            | -              | -              |
| Provision for leave Compensated absences and gratuity    | 1,786          | 364            | 777            |
| Provision for bonus                                      | -25            | 505            | 75             |
| Impairment loss allowance on trade receivables           | 2,516          | 1,967          | 1,153          |
| Impairment loss allowance on unbilled revenue            | 91             | 35             | 17             |
| Impairment loss allowance on loans                       | 54             | 2              | 38             |
| Lease liabilities and right-of-use assets                | 538            | 529            | 282            |
| Fair valuation of security deposit                       | 133            | -              | -              |
| Fair valuation of derivative instrument                  | 730            | -              | -              |
| Carry forward business loss and unabsorbed depreciation* | 4,090          | 13,070         | 15,880         |
|  | <b>10,587</b>  | <b>16,472</b>  | <b>18,222</b>  |

**\*Tax loss and unabsorbed depreciation carry-forward for which no deferred tax assets were recorded with expiry date**

|                            | March 31, 2020 | March 31, 2019 | April 01, 2018 |
|----------------------------|----------------|----------------|----------------|
| Expiry within 1 to 5 years | 3,754          | 11,867         | 14,444         |
| Expiry within 6 to 8 years | 336            | 336            | 336            |
| Unlimited                  | -              | 867            | 1,100          |
|                            | <b>4,090</b>   | <b>13,070</b>  | <b>15,880</b>  |

**Amounts on which Deferred tax asset has not been recorded as at year end:**

|   | March 31, 2020 | March 31, 2019 | April 01, 2018 |
|---|----------------|----------------|----------------|
| Tax rate  | 25.17%         | 30.90%         | 30.90%         |
| Deferred tax asset has not been recognised as at year end | 2,665          | 5,090          | 5,631          |

*(This space is intentionally left blank)*

**12 Investments**

**Carried at fair value through statement of profit and loss**

|   | March 31, 2020<br>Units in lakhs | March 31, 2019<br>Units in lakhs | April 01, 2018<br>Units in lakhs | March 31, 2020<br>Amount | March 31, 2019<br>Amount | April 01, 2018<br>Amount |
|---|----------------------------------|----------------------------------|----------------------------------|--------------------------|--------------------------|--------------------------|
| <b>Current</b>  |                                  |                                  |                                  |                          |                          |                          |
| Birla Sunlife - Short term fund - Growth                    | -                                | 8                                | 20                               | -                        | 589                      | 1,351                    |
| Birla Sunlife - Floating rate fund short term plan - Growth | -                                | 4                                | 4                                | -                        | 1,087                    | 1,002                    |
| DHFL Pramerica - Short maturity fund - Growth               | -                                | -                                | 21                               | -                        | -                        | 661                      |
| Franklin Templeton - TMA Super IP - Growth                  | *                                | *                                | *                                | 269                      | 252                      | 1,180                    |
| HDFC - Banking & PSU Debt fund - Growth                     | -                                | 95                               | 95                               | -                        | 1,450                    | 1,350                    |
| HDFC - Corporate debt opportunities fund - Growth           | -                                | 50                               | 70                               | -                        | 762                      | 1,014                    |
| ICICI Prudential - Flexi income plan - Growth               | -                                | -                                | 3                                | -                        | -                        | 1,001                    |
| ICICI Prudential - short term - Growth #                    | 9                                | 9                                | 9                                | 372                      | 341                      | 320                      |
| ICICI Prudential - short term fund - Growth                 | 20                               | -                                | -                                | 913                      | -                        | -                        |
| ICICI Prudential - Regular Savings Fund - Growth            | -                                | 16                               | 16                               | -                        | 321                      | 300                      |
| ICICI Prudential - Savings Fund - Growth                    | 11                               | -                                | -                                | 4,227                    | -                        | -                        |
| Kotak - Low Duration fund - Growth                          | -                                | *                                | *                                | -                        | 1,086                    | 1,000                    |
| Kotak - Medium term fund - Growth                           | -                                | 41                               | 41                               | -                        | 664                      | 622                      |
| Kotak - Banking & PSU Debt fund - Growth                    | 19                               | -                                | -                                | 915                      | -                        | -                        |
| L&T - Income opportunities fund - Growth ##                 | -                                | 102                              | 102                              | -                        | 2,160                    | 2,038                    |
| L&T - Banking & PSU Debt fund - Growth                      | 91                               | -                                | -                                | 1,641                    | -                        | -                        |
| L&T - Short term income fund - Growth                       | -                                | 54                               | 54                               | -                        | 1,103                    | 1,023                    |
| Reliance - Medium term fund - Growth                        | -                                | -                                | 27                               | -                        | -                        | 1,000                    |
|   |                                  |                                  |                                  | <b>8,337</b>             | <b>9,815</b>             | <b>13,862</b>            |

**Note:**

# 9 lakhs units of mutual funds of ICICI prudential mutual fund (March 31, 2019 - 9 lakhs units , April 01, 2018 - 9 lakhs units) is pledged with RBL Bank as security towards credit facilities availed by the Company.

## Nil units of mutual fund units of L&T - Income opportunities fund - Growth (March 31, 2019 - 16 lakhs units, April 01, 2018 - 16 lakhs units) pledged with Kotak Mahindra Bank as security towards credit facilities availed by the Company.

\* Units are not presented as they are below the rounding off norms adopted by the Company.

|   |       |       |        |
|---|-------|-------|--------|
| Aggregate book value of quoted investment     | 8,337 | 9,815 | 13,862 |
| Aggregate market value of quoted investment   | 8,337 | 9,815 | 13,862 |
| Aggregate book value of unquoted investment   | -     | -     | -      |
| Aggregate market value of unquoted investment | -     | -     | -      |

**13 Trade receivables**

**Carried at amortised cost**

|  | March 31, 2020 | March 31, 2019 | April 01, 2018 |
|--|----------------|----------------|----------------|
| <b>Current</b>   |                |                |                |
| Trade receivables - others                                       | 11,487         | 12,745         | 8,712          |
| Trade receivables - related party (Refer note 38)                | -              | 7              | 142            |
| <b>Total trade receivables</b>                                   | <b>11,487</b>  | <b>12,752</b>  | <b>8,854</b>   |
| <b>Break-up for security details</b>                             |                |                |                |
| Secured, considered good   | -              | -              | -              |
| Unsecured, considered good                                       | 12,759         | 14,097         | 10,008         |
| Trade receivables which have significant increase in credit risk | -              | -              | -              |
| Trade receivables - credit impaired                              | 1,244          | 622            | -              |
|  | <b>14,003</b>  | <b>14,719</b>  | <b>10,008</b>  |
| <b>Impairment allowance</b>                                      |                |                |                |
| Secured, considered good   | -              | -              | -              |
| Unsecured, considered good                                       | (1,272)        | (1,345)        | (1,153)        |
| Trade receivables which have significant increase in credit risk | -              | -              | -              |
| Trade receivables - credit impaired                              | (1,244)        | (622)          | -              |
| <b>Trade receivables net of impairment</b>                       | <b>11,487</b>  | <b>12,752</b>  | <b>8,855</b>   |

(i) No trade or other receivable are due from directors or other officers of the company either severally or jointly with any other person. Nor any trade or other receivable are due from firms or private companies respectively in which any director is a partner, a director or a member.

(ii) Trade receivables are non-interest bearing and are generally on terms of 10 to 100 days.

**14 Cash and cash equivalents**

|   | March 31, 2020 | March 31, 2019 | April 01, 2018 |
|---|----------------|----------------|----------------|
| Balances with banks:                                      |                |                |                |
| - in current accounts                                     | 1,428          | 2,430          | 1,161          |
| - in EEFC accounts  | 1,922          | 175            | 361            |
| Deposits with original maturity of less than three months | 1,000          | -              | -              |
|   | <b>4,350</b>   | <b>2,605</b>   | <b>1,522</b>   |



**HAPPIEST MINDS TECHNOLOGIES PRIVATE LIMITED**  
**Notes to the Standalone Financial Statements for the year ended March 31, 2020**  
*(All amounts in INR lakhs, unless otherwise stated)*

**15 Share Capital**

**Equity share capital**

**i) Authorised share capital**

**Equity share capital of INR 2 each**

**As at April 01, 2018**

Increase during the year

**As at March 31, 2019**

Increase during the year

**As at March 31, 2020**

| Numbers           | Amount      |
|-------------------|-------------|
| 50,000,000        | 1000        |
| -                 | -           |
| <b>50,000,000</b> | <b>1000</b> |
| -                 | -           |
| <b>50,000,000</b> | <b>1000</b> |

On April 29, 2020, the Board of Directors of the Company increased the authorised share capital of the Company to Rs. 458.6 millions divided into 229,300,000 equity shares of INR.2 each.

**ii) Issued, subscribed and fully paid up Equity share capital**

Equity share capital of INR 2 each, fully paid up

**As at April 01, 2018**

Issued during the year

Issue of shares by trust - refer note (i) below

Change on account of modification of ESOP - refer note (ii) below

**As at March 31, 2019**

Issued during the year - refer note (iii) below

Issue of shares by trust - refer note (iv) below

**As at March 31, 2020**

| Numbers           | Amount     |
|-------------------|------------|
| 18,755,367        | 375        |
| -                 | -          |
| 751,831           | 15         |
| 10,326,054        | 207        |
| <b>29,833,252</b> | <b>597</b> |
| 12,225,000        | 245        |
| 1,840,925         | 37         |
| <b>43,899,177</b> | <b>879</b> |

(i) During the year ended March 31, 2019 Employee Benefit Trust (EBT) has issued 751,831 equity share to the employee on exercise of Employee Share Option Plan (ESOP).

(ii) As per Employee Share Option Plan (ESOP) in case of resignation of the employee, the employee is mandatorily required to surrender all the shares exercised pursuant to ESOP to the Company. The Company in its Board meeting held in January 2019, passed a resolution modifying the terms of ESOP with effect from March 31, 2019. Pursuant to modification in ESOP the employees who have completed vesting condition are allowed to retain the shares acquired pursuant to ESOP.

(iii) During the year ended March 31, 2020, an Series A 14% Non Cumulative compulsorily convertible preference (CCPS) shares holder has converted 75,000 CCPS into equity at a ratio of 1:163.

(iv) During the year ended March 31, 2020 Employee Benefit Trust (EBT) has issued 1,840,925 equity shares to the employee exercise of Employee Share Option Plan (ESOP).

**(iii) Terms/ rights attached to equity shares**

The Company has a single class of equity share of par value INR 2 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.

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.

**(iv) Details of shareholders holding more than 5% shares in the Company: -**

|   | March 31, 2020 |                    | March 31, 2019 |                    | April 1, 2018 |                    |
|---|----------------|--------------------|----------------|--------------------|---------------|--------------------|
|   | No of Shares   | Holding percentage | No of Shares   | Holding percentage | No of Shares  | Holding percentage |
| <b>Equity shares of INR 2 each fully paid</b> |                |                    |                |                    |               |                    |
| Mr. Ashok Soota (Promoter)                    | 27,768,017     | 63.25%             | 15,192,854     | 50.93%             | 12,380,339    | 66.01%             |
| Mr. Vikram Gulati                             | -              | -                  | -              | -                  | 2,812,515     | 15.00%             |

As per the records of the Company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents legal ownership of shares.

(v). The Company has not issued any bonus shares or shares for consideration other than cash during the period of five years immediately preceding the reporting date.

*(This space is intentionally left blank)*

**HAPPIEST MINDS TECHNOLOGIES PRIVATE LIMITED**  
**Notes to the Standalone Financial Statements for the year ended March 31, 2020**  
*(All amounts in INR lakhs, unless otherwise stated)*

**16 Instrument entirely in the nature of equity**

**i) Authorised share capital**

**Series A 14% Non Cumulative Compulsorily Convertible Preference shares of INR 652 each**

|                          | Numbers | Amount |
|--------------------------|---------|--------|
| As at April 01, 2018     | 750,000 | 4,890  |
| Increase during the year | -       | -      |
| As at March 31, 2019     | 750,000 | 4,890  |
| Increase during the year | -       | -      |
| As at March 31, 2020     | 750,000 | 4,890  |

On April 29, 2020, the Board of Directors of the Company reduced the authorised share capital of the Company to Rs. 130.4 millions divided into 200,000 preference shares of INR.652 each.

**ii) Issued, subscribed and fully paid up Non cumulative compulsorily convertible preference share capital**

**Series A 14% Non Cumulative compulsorily convertible preference shares of INR 652 each**

|  | Numbers  | Amount |
|--|----------|--------|
| As at April 01, 2018   | 341,885  | 2,229  |
| Increase during the year - refer note (a) below                                      | 188      | 1      |
| As at March 31, 2019   | 342,073  | 2,230  |
| Increase on account of modification of CCPS - refer note 16 (iii) (b) & 16 (iii) (c) | 290,272  | 1,893  |
| Conversion into equity shares during the year - refer note (15) (ii) (iii)           | (75,000) | (489)  |
| As at March 31, 2020   | 557,345  | 3,634  |

(a) During the year ended March 31, 2019, the Company had allotted 188 Series A 14% Non Cumulative compulsorily convertible preference shares of face value INR 652 each, at a premium of INR 10,758 for cash pursuant to board resolution dated April 25, 2018.

**(iii) Terms/ rights attached to convertible preference shares**

(a) 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 if declared by the board. 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.

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.

The holders of the preference share at their option can require the Company to convert all or a part of Series A preference shares held by them into equity shares at any time during the conversion period in according to the conversion ratio defined in the agreement (i.e. 1:163)

All the preference shares shall be converted into equity shares in the ratio of 1:163 on occurrence of the following event:

- 1- On Expiry of the conversion period.
- 2- Later of (a) Date of filing Red herring prospectus with SEBI (b) Such other date as may be permitted by law in connection with Qualified IPO.
- 3- Upon the holders of a majority of the investors shares exercising the conversion right with respect to preference shares held by them

The investors (other than promoters) have an exit option including the buyback by the Company, if the Company's securities are not listed on any stock exchange pursuant to successful Qualified IPO undertaken by the Company. Considering the investors have cash settlement alternatives which is not under the control of the Company, hence the CCPS held by the investors have been classified as liability (Refer Note 23).

(b) On July 1, 2019, Intel Capital Corporation ('Intel') has entered into a share purchase agreement with Mr. Ashok soota, pursuant to which Intel has sold 123,099 Cumulative compulsorily convertible preference shares (CCPS) to Mr. Ashok soota, Upon such transfer, the existing CCPS classified as liability is now treated as instruments entirely in the nature of equity

(c) On March 25, 2020, CMDB II has waived its right for exit option including the buyback for 167,173 Cumulative compulsorily convertible preference shares (CCPS). Upon waiver of rights, the existing CCPS classified as liability is treated as instrument entirely in nature of equity. These CCPS on date of modification is accounted at fair value. There is no gain/loss on derecognition of liability.

**(iv) Details of shareholders holding more than 5% shares in the Company \***

|   | March 31, 2020 |                    | March 31, 2019 |                    | April 1, 2018  |                    |
|---|----------------|--------------------|----------------|--------------------|----------------|--------------------|
|   | No of Shares   | Holding percentage | No of Shares*  | Holding percentage | No of Shares * | Holding percentage |
| <b>Series A 14% Non Cumulative compulsorily convertible preference shares</b> |                |                    |                |                    |                |                    |
| Mr. Ashok Soota (Promoter)  | 359,601        | 64.52%             | 325,761        | 95.23%             | 325,761        | 95.28%             |
| CMDB II   | 167,173        | 29.99%             | -              | -                  | -              | -                  |

As per the records of the Company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents legal ownership of shares.

\* Excludes CCPS held investors classified as liabilities

**HAPPIEST MINDS TECHNOLOGIES PRIVATE LIMITED**  
**Notes to the Standalone Financial Statements for the year ended March 31, 2020**  
*(All amounts in INR lakhs, unless otherwise stated)*

**c) Treasury shares**

|                      | <b>No of shares</b> |
|----------------------|---------------------|
| As at April 1, 2018  | 8,083,394           |
| As at March 31, 2019 | 7,331,563           |
| As at March 31, 2020 | 5,490,638           |

For the terms/rights attached to treasury shares refer note 15 (iii) above

**17 Other equity**

|                                   | <b>March 31, 2020</b> | <b>March 31, 2019</b> | <b>April 01, 2018</b> |
|-----------------------------------|-----------------------|-----------------------|-----------------------|
| Securities premium account        | 27,781                | 18,602                | 16,518                |
| Retained earnings                 | (5,457)               | (28,665)              | (29,031)              |
| Cash flow hedge reserve           | (730)                 | 237                   | (15)                  |
| Share options outstanding reserve | 454                   | 240                   | -                     |
|                                   | <b>22,048</b>         | <b>(9,586)</b>        | <b>(12,528)</b>       |

|  | <b>March 31, 2020</b> | <b>March 31, 2019</b> |
|--|-----------------------|-----------------------|
| <b>a) Securities premium account</b>   |                       |                       |
| <b>Opening balance</b>   | 18,602                | 16,518                |
| Increase during the year   | 245                   | 20                    |
| Change on account of modification of preference shares                         | 24,481                | -                     |
| Issue of shares by trust   | 405                   | -                     |
| Transfer from ESOP liability on account of modification of ESOP                | -                     | 2,064                 |
| Reduction of capital - refer note (i) below                                    | (15,952)              | -                     |
| <b>Closing balance</b>   | <b>27,781</b>         | <b>18,602</b>         |
| <b>b) Retained earnings</b>  |                       |                       |
| <b>Opening balance</b>   | (28,665)              | (29,031)              |
| Profit/ (loss) for the year  | 7,343                 | 411                   |
| Other comprehensive income recognised directly in retained earnings            | (139)                 | (45)                  |
| Reduction of capital - refer note (i) below                                    | 15,952                | -                     |
| Transferred from share option outstanding reserve for vested options forfeited | 52                    | -                     |
| <b>Closing balance</b>   | <b>(5,457)</b>        | <b>(28,665)</b>       |
| <b>c) Cash flow hedge reserve</b>  |                       |                       |
| <b>Opening balance</b>   | 237                   | (15)                  |
| Net movement on effective portion of cash flow hedges - Refer note 35          | (967)                 | 252                   |
| <b>Closing balance</b>   | <b>(730)</b>          | <b>237</b>            |
| <b>d) Share options outstanding reserve</b>                                    |                       |                       |
| <b>Opening balance</b>   | 240                   | -                     |
| Transfer from ESOP liability on account of modification of ESOP                | -                     | 240                   |
| Fair value impact on account of modification in ESOP                           | -                     | -                     |
| Employee compensation expense for the year                                     | 266                   | -                     |
| Transferred to retained earnings for vested options forfeited                  | (52)                  | -                     |
| <b>Closing balance</b>   | <b>454</b>            | <b>240</b>            |

**Note**

**(i) Capital reduction**

The Company had filed for capital reduction through NCLT and received an order on November 5, 2019 for writing off the accumulated losses of the Company being the debit balance of profit and loss Account as appearing in the Standalone Financial Statement of the Company as at March 31, 2018 prepared under previous GAAP (Indian GAAP) with securities premium. The accumulated losses of the company as at March 31, 2018 is INR 17,233 Lacks and during the year ended March 31, 2019 the Company has earned a profit of INR 1,281 Lacks under Indian GAAP and the accumulated balance in profit and loss account as at March 31, 2019 was INR 15,952 Lacks. This balance has been written off in the current year.

**(ii) Nature and purpose of other reserves**

**a) Securities premium account :**

Securities premium account has been created consequent to issue of shares at premium. The reserve can be utilised in accordance with the provisions of the Companies Act 2013.

**b) Retained earnings :**

Retained earnings comprises of prior and current year's undistributed earnings/accumulated losses after tax.

**c) Cash flow hedge reserve :**

The Company uses foreign currency forward contracts to hedge the highly probable forecasted transaction and interest rate swaps to hedge the interest rate risk associated with foreign currency term loan. The effective portion of fair value gain/loss of the hedge instrument is recognised in the cash flow hedge reserve. Amounts recognised in the cash flow hedge reserve is reclassified to the statement of profit and loss when the hedged item affects profit or loss.

**d) Share options outstanding reserve :**

The share options based payment reserve is used to recognise the grant date fair value of options issued to employees under Employee stock option plan.



**18 Borrowings**

**Carried at amortised cost**

**Non current**

**Secured**

Foreign currency term loan from bank - refer note (a) below

Less: Current maturity of term loans

**Total non-current borrowings**

**Current**

**Secured**

Loans repayable on demand from banks

Foreign currency loan (PCFC) - refer note (b) below

Bank overdraft - refer note (c) below

**Total current borrowings**

|  | March 31, 2020 | March 31, 2019 | April 1, 2018 |
|--|----------------|----------------|---------------|
|  | 927            | 1,579          | 2,168         |
|  | <b>927</b>     | <b>1,579</b>   | <b>2,168</b>  |
|  | (795)          | (729)          | (685)         |
|  | <b>132</b>     | <b>850</b>     | <b>1,483</b>  |
|  |                |                |               |
|  | 6,916          | 5,012          | 6,854         |
|  | -              | 1,000          | 1             |
|  | <b>6,916</b>   | <b>6,012</b>   | <b>6,855</b>  |

**Notes**

(a) Foreign currency term loan carries a floating interest rate of 6m 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.

(b) PCFC loan taken from Kotak Mahindra carries an interest rate ranging 4.20 % to 5.74 % p.a. (March 31, 2019 - 4.7% to 5.81% p.a.) and is repayable on demand. PCFC loan taken from RBL carries an interest rate ranging 3.98% to 5.68% (March 31, 2019 - 4.58% to 5.68% p.a.) and is repayable on demand.

(c) Bank overdraft is taken from Kotak Mahindra bank at 9.3% p.a and RBL at 8.85% p.a and is repayable on demand.

(d) Short-term borrowings are fully secured by the way of mutual funds to the extent of INR 300 lakhs (March 31, 2019 - INR 603 lakhs) (refer note 10) and remaining by the way of current assets of the Company (refer note 8).

The table below details change in the Company's liabilities arising from financing activities, including both cash and non-cash changes

|  | Series A 14% Non<br>Cumulative<br>compulsorily<br>convertible<br>preference shares | Non-current<br>borrowings | Current<br>borrowings* |
|--|--|---------------------------|------------------------|
| <b>As at March 31, 2018</b>  | <b>25,852</b>  | <b>2,168</b>              | <b>6,855</b>           |
| Financing cash flows (net)   | -  | (747)                     | (1,379)                |
| Non cash movements:  |  |                           |                        |
| Fair value changes   | 470  | 10                        | -                      |
| Foreign exchange difference  | -  | 148                       | 536                    |
| <b>As at March 31, 2019</b>  | <b>26,322</b>  | <b>1,579</b>              | <b>6,012</b>           |
| Financing cash flows (net)   | -  | (756)                     | 430                    |
| Non cash movements:  |  |                           |                        |
| Fair value changes and others  | 52   | 10                        | -                      |
| Foreign exchange difference  | -  | 94                        | 474                    |
| Reclassified to equity on account of modification - refer note 16 (iii) (b) & 16 (iii) (c) | (26,374)   | -                         | -                      |
| <b>As at March 31, 2020</b>  | <b>-</b>   | <b>927</b>                | <b>6,916</b>           |

\* includes net inflow/ (outflow) pertaining to bank overdraft which is shown as a part of cash and cash equivalent for the purpose of cash flow statements.

*(This space is intentionally left blank)*

**HAPPIEST MINDS TECHNOLOGIES PRIVATE LIMITED**  
**Notes to the Standalone Financial Statements for the year ended March 31, 2020**  
*(All amounts in INR lakhs, unless otherwise stated)*

**19 Lease liabilities**  
**Carried at amortised cost**

**Non current**

Lease liabilities

Less: Current maturity of lease liabilities

**Total non-current lease liabilities**

**Current**

Lease liabilities

|  | March 31, 2020 | March 31, 2019 | April 1, 2018 |
|--|----------------|----------------|---------------|
|  | 3,543          | 4,493          | 5,680         |
|  | <b>3,543</b>   | <b>4,493</b>   | <b>5,680</b>  |
|  | (1,812)        | (1,534)        | (1,415)       |
|  | <b>1,731</b>   | <b>2,959</b>   | <b>4,265</b>  |
|  |                |                |               |
|  | 1,812          | 1,534          | 1,415         |
|  | <b>1,812</b>   | <b>1,534</b>   | <b>1,415</b>  |

The effect of adoption of Ind AS 116 is as follows;

**A Impact on balance sheet (increase/(decrease))**

**Assets**

Right to use assets - Also refer note 5

**Equity**

Retained earnings - Also refer note 45

**Liability**

Lease liabilities - refer note (i) below

|  | March 31, 2020 | March 31, 2019 |
|--|----------------|----------------|
|  | 3,005          | 3,964          |
|  | -              | (415)          |
|  | 3,543          | 4,494          |

**B Impact on Statement of profit and loss (increase/(decrease))**

Depreciation and amortisation

Finance cost

Other income - Finance income

|  |              |              |
|--|--------------|--------------|
|  | 1,665        | 1,676        |
|  | 412          | 544          |
|  | (68)         | (62)         |
|  | <b>2,009</b> | <b>2,158</b> |

**C Impact on Statement of cash flow(increase/(decrease))**

Operating lease payments

**Net cashflow from operating activities**

Payment of principal portion of lease liabilities

Payment of interest portion of lease liabilities

|  |                |                |
|--|----------------|----------------|
|  | 2,071          | 1,987          |
|  | <b>2,071</b>   | <b>1,987</b>   |
|  | (1,659)        | (1,443)        |
|  | (412)          | (544)          |
|  | <b>(2,071)</b> | <b>(1,987)</b> |

(i) Movement in lease liabilities for year ended March 31, 2019 and March 31, 2020:

Balance at beginning of the year

Additions

Finance cost incurred during the period - refer note 29

Payment of lease liabilities

Translation difference

**Balance at the end of the year**

|  | March 31, 2020 | March 31, 2019 |
|--|----------------|----------------|
|  | 4,494          | 5,680          |
|  | 706            | 255            |
|  | 412            | 544            |
|  | (2,072)        | (1,986)        |
|  | 3              | 1              |
|  | <b>3,543</b>   | <b>4,494</b>   |

(iii) The table below provides details regarding the contractual maturities of lease liabilities as at March 31, 2019 and March 31, 2020

Less than one year

one to five years

more than five years

|  | March 31, 2020 | March 31, 2019 |
|--|----------------|----------------|
|  | 2,092          | 1,939          |
|  | 1,898          | 3,300          |
|  | -              | -              |

(iv) The Company had total cash outflows for leases of INR 2,318 lakhs in March 31, 2020 (INR 2,208 lakhs in March 31, 2019). The Company has not made any non-cash additions to right-of-use assets and lease liabilities.

**HAPPIEST MINDS TECHNOLOGIES PRIVATE LIMITED**  
**Notes to the Standalone Financial Statements for the year ended March 31, 2020**  
*(All amounts in INR lakhs, unless otherwise stated)*

**20 Provisions**

|  | March 31, 2020 | March 31, 2019 | April 1, 2018 |
|--|----------------|----------------|---------------|
| <b>Non-current</b>                     |                |                |               |
| Provision for gratuity - refer note 34 | 1,255          | 940            | 812           |
|  | <b>1,255</b>   | <b>940</b>     | <b>812</b>    |
| <b>Current</b>                         |                |                |               |
| Provision for gratuity - refer note 34 | 240            | 220            | 120           |
| Provision for compensated absence      | 941            | 771            | 689           |
| Other provisions                       |                |                |               |
| Provision for warranty                 | 65             | 7              | 7             |
|  | <b>1,246</b>   | <b>998</b>     | <b>816</b>    |

**Movement during the year - Provision for warranty**

|                                     |  |  |           |
|-------------------------------------|--|--|-----------|
| <b>Balance as at April 01, 2018</b> |  |  | <b>7</b>  |
| Arising during the year             |  |  | -         |
| Utilised during the year            |  |  | -         |
| <b>Balance as at March 31, 2019</b> |  |  | <b>7</b>  |
| Arising during the year             |  |  | 60        |
| Utilised during the year            |  |  | -2        |
| <b>Balance as at March 31, 2020</b> |  |  | <b>65</b> |

**21 Contract liability**

|   | March 31, 2020 | March 31, 2019 | April 1, 2018 |
|---|----------------|----------------|---------------|
| Unearned revenue - refer note (i) below | 781            | 1,067          | 514           |
|   | <b>781</b>     | <b>1,067</b>   | <b>514</b>    |

(i) The Company have rendered the service and have recognised the revenue of INR 1,067 Lakhs (March 31, 2019: INR 514 Lakhs) during the year from the unearned revenue balance at the beginning of the year. It expects similarly to recognise revenue in year 2020-21 from the closing balance of unearned revenue as at March 31, 2020.

**22 Trade payables**

**Carried at amortised cost**

|  | March 31, 2020 | March 31, 2019 | April 1, 2018 |
|--|----------------|----------------|---------------|
| Total outstanding dues of micro enterprises and small enterprises - refer note (iii) below | 12             | 40             | 38            |
| Total outstanding dues of creditors other than micro enterprises and small enterprises     | 3,451          | 2,867          | 2,347         |
|  | <b>3,463</b>   | <b>2,907</b>   | <b>2,385</b>  |

Terms and conditions of above trade payables:

(i) Trade payables are non-interest bearing and are normally settled on 15 to 30 days terms

(ii) For explanation of company's credit risk management - refer note 36

(iii) Disclosure required under Clause 22 of Micro, Small and Medium Enterprise Development Act, 2006 - refer below note

| Particular  | March 31, 2020 | March 31, 2019 | April 1, 2018 |
|---|----------------|----------------|---------------|
| 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   | 12             | 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.



**HAPPIEST MINDS TECHNOLOGIES PRIVATE LIMITED**  
**Notes to the Standalone Financial Statements for the year ended March 31, 2020**  
*(All amounts in INR lakhs, unless otherwise stated)*

**23 Other financial liabilities**

**Current**

**Carried at amortised cost**

Current maturity of term loan - refer note 18  
Employee related liabilities

| March 31, 2020 | March 31, 2019 | April 1, 2018 |
|----------------|----------------|---------------|
| 795            | 729            | 685           |
| 4,853          | 2,895          | 1,299         |
| <b>5,648</b>   | <b>3,624</b>   | <b>1,984</b>  |

**Carried at fair value through other comprehensive income**

Cash flow hedges  
Foreign currency forward contracts  
Interest rate Swaps

|            |          |           |
|------------|----------|-----------|
| 749        | 2        | 50        |
| -          | -        | 32        |
| <b>749</b> | <b>2</b> | <b>82</b> |

**Total financial liabilities at fair value through OCI**

**Carries at fair value through profit or loss**

Employee Stock Option Liability (refer note 42)  
Series A 14% Non Cumulative compulsorily convertible preference shares - refer note (i), (ii) and (iii) below

|          |               |               |
|----------|---------------|---------------|
| -        | -             | 2,100         |
| -        | 26,322        | 25,852        |
| <b>-</b> | <b>26,322</b> | <b>27,952</b> |

**Total financial liabilities at fair value through profit or loss**

**Total other financial liabilities**

|              |               |               |
|--------------|---------------|---------------|
| <b>6,397</b> | <b>29,948</b> | <b>30,018</b> |
|--------------|---------------|---------------|

**Note**

(i) As at April 1, 2018 and March 31, 2019, the Company have issued 290,272 Series A 14% non-cumulative preference shares (CCPS) which are held by the investors (i.e. other than the promoters). If declared by the Board, each holder of the CCPS, shall be entitled to receive a preferential non-cumulative dividend at the rate of 14% per annum. Refer note 16 (iii) for detail terms and conditions of CCPS. As per the agreement, the Company is required to conduct the successful qualified IPO within 7 years from the first closing date, the failure of which will provide the investor the right to require the Company to buy back the shares held by them at fair value. A successful qualified IPO is not in the control of the Company, hence it does not have a unconditional right to defer the settlement of preference shares beyond 7 year. The instrument is a hybrid instrument and have a embedded derivative in the form of settlement option and host non-derivative liability. The Company has designated the entire instrument as fair value through profit and loss.

(ii) Pursuant to Shares Purchase Agreement dated July 1st, 2019, Mr. Ashok Soota purchased 123,099 14% Non Cumulative compulsorily convertible preference shares (CCPS) from Intel Capital Corporation, a Delaware company. As a result of this, financial liability pertaining to CCPS of INR 11,162 lakhs have been classified as Preference share capital amounting to INR 802 lakhs and Security premium of INR 10,360 lakhs

(iii) Pursuant waiver cum amendment agreement dated March 25, 2020 to the shareholders agreement dated October 20, 2011, CMDB II has waived off the Buy back right associated with 14% Non Cumulative compulsorily convertible preference shares (CCPS) of 167,133 held by them. As a result of this, financial liability pertaining to CCPS of INR 15,211 lakhs, have been classified as preference share capital amounting to INR 1,090 lakhs and Security premium of INR 14,121 lakhs, after adjusting for FY20 fair market value of INR 52 lakhs.

**24 Other liabilities**

**Current**

Statutory dues payable  
Other payables

| March 31, 2020 | March 31, 2019 | April 1, 2018 |
|----------------|----------------|---------------|
| 500            | 681            | 645           |
| 17             | 42             | 22            |
| <b>517</b>     | <b>723</b>     | <b>667</b>    |

*(This space is intentionally left blank)*

**HAPPIEST MINDS TECHNOLOGIES PRIVATE LIMITED**  
**Notes to the Standalone Financial Statements for the year ended March 31, 2020**  
*(All amounts in INR lakhs, unless otherwise stated)*

**25 Revenue from contract with customers**

|                  | For the year ended |                |
|------------------|--------------------|----------------|
|                  | March 31, 2020     | March 31, 2019 |
| Sale of service  | 69,760             | 58,883         |
| Sale of licenses | 61                 | 153            |
|                  | <b>69,821</b>      | <b>59,036</b>  |

**25.1 Disaggregated revenue information**

| Segment  | March 31, 2020                                |                            |                              |               |
|--|---|----------------------------|------------------------------|---------------|
|  | Infrastructure Management & Security Services | Digital Business Solutions | Product Engineering Services | Total         |
| Revenue from Infrastructure Management & Security Services | 15,361  | -                          | -                            | 15,361        |
| Revenue from Digital Business Solutions                    | -   | 19,167                     | -                            | 19,167        |
| Revenue from Product Engineering Services                  | -   | -                          | 35,293                       | 35,293        |
| <b>Total revenue from contracts with customers</b>         | <b>15,361</b>                                 | <b>19,167</b>              | <b>35,293</b>                | <b>69,821</b> |

| Segment  | March 31, 2019                                |                            |                              |               |
|--|---|----------------------------|------------------------------|---------------|
|  | Infrastructure Management & Security Services | Digital Business Solutions | Product Engineering Services | Total         |
| Revenue from Infrastructure Management & Security Services | 12,943  | -                          | -                            | 12,943        |
| Revenue from Digital Business Solutions                    | -   | 18,090                     | -                            | 18,090        |
| Revenue from Product Engineering Services                  | -   | -                          | 28,003                       | 28,003        |
| <b>Total revenue from contracts with customers</b>         | <b>12,943</b>                                 | <b>18,090</b>              | <b>28,003</b>                | <b>59,036</b> |

**25.2 Contract balances**

|                    | March 31, 2020 | March 31, 2019 | April 1, 2018 |
|--------------------|----------------|----------------|---------------|
| Trade receivables  | 11,487         | 12,752         | 8,855         |
| Contract assets    | 4,471          | 1,730          | 932           |
| Contract liability | 781            | 1,067          | 514           |

**25.3 Reconciling the amount of revenue recognised in the statement of profit and loss with the contracted price**

|   | March 31, 2020 | March 31, 2019 |
|---|----------------|----------------|
| Revenue as per contract price               | 69,910         | 59,073         |
| Discount                                    | (89)           | (37)           |
| <b>Revenue from contract with customers</b> | <b>69,821</b>  | <b>59,036</b>  |

The Company has applied practical expedient as given in Ind AS 115 for not disclosing the remaining performance obligation for contracts that have original expected duration of one year or lesser. The Company have fixed price contracts for a period of more than one year, the remaining performance obligation for these contracts is INR. 10,295 Lakhs (March 31, 2019: INR.3,958 lakhs). The revenue for remaining performance obligation is expected to be recognised over period of 1-4 years (March 31, 2019: 1-2 years).

**26 Other income**

|   | March 31, 2020 | March 31, 2019 |
|---|----------------|----------------|
| Interest income on:                             |                |                |
| Deposits with bank                              | 369            | 225            |
| Income tax refund                               | 26             | -              |
| Financial instrument measured at amortised cost | 68             | 62             |
| Others  | -              | 7              |
|   | <b>463</b>     | <b>294</b>     |
| Fair value gain on investment measured at FVTPL | 121            | 659            |
| Gain on sale of investments measured at FVTPL   | 455            | 113            |
| Exchange gain                                   | 517            | -              |
| Miscellaneous income                            | 42             | 59             |
|   | <b>1,135</b>   | <b>831</b>     |
|   | <b>1,598</b>   | <b>1,125</b>   |

**27 Employee benefits expense**

|                                     | March 31, 2020 | March 31, 2019 |
|-------------------------------------|----------------|----------------|
| Salaries, wages and bonus           | 41,089         | 35,108         |
| Contribution to provident fund      | 1,905          | 1,690          |
| Employee stock compensation expense | 266            | 603            |
| Gratuity expense - refer note 34    | 317            | 303            |
| Compensated absences                | 382            | 283            |
| Staff welfare expenses              | 164            | 155            |
|                                     | <b>44,123</b>  | <b>38,142</b>  |

**HAPPIEST MINDS TECHNOLOGIES PRIVATE LIMITED****Notes to the Standalone Financial Statements for the year ended March 31, 2020***(All amounts in INR lakhs, unless otherwise stated)***28 Depreciation and amortisation expense**

|   | <b>March 31, 2020</b> | <b>March 31, 2019</b> |
|---|-----------------------|-----------------------|
| Depreciation of property, plant and equipment | 167                   | 143                   |
| Amortisation of intangible assets             | 191                   | 205                   |
| Depreciation of right-of-use assets           | 1,665                 | 1,676                 |
|   | <b>2,023</b>          | <b>2,024</b>          |

**29 Finance costs**

|   | <b>March 31, 2020</b> | <b>March 31, 2019</b> |
|---|-----------------------|-----------------------|
| Interest expense on:  |                       |                       |
| Borrowings  | 335                   | 575                   |
| Lease liabilities   | 412                   | 544                   |
| Fair value loss on Compulsory convertible preference shares | 52                    | 470                   |
|   | <b>799</b>            | <b>1,589</b>          |

**30 Other expenses**

|   | <b>March 31, 2020</b> | <b>March 31, 2019</b> |
|---|-----------------------|-----------------------|
| Power and fuel  | 449                   | 391                   |
| Subcontractor charges   | 7,271                 | 6,497                 |
| Repairs and maintenance   |                       |                       |
| - Buildings   | 193                   | 170                   |
| - Equipment's   | 25                    | 41                    |
| - Others  | 404                   | 226                   |
| Rent expenses - refer note (ii) below                               | 246                   | 222                   |
| Advertising and business promotion expenses                         | 263                   | 269                   |
| Commission  | 186                   | 240                   |
| Communication costs   | 287                   | 260                   |
| Insurance   | 36                    | 26                    |
| Legal and professional fees - refer note (i) below                  | 1,143                 | 470                   |
| Loss on property, plant and equipment sold / scrapped, net          | -                     | 5                     |
| Software license cost   | 1,227                 | 1,267                 |
| Rates and taxes   | 31                    | 29                    |
| Recruitment charges   | 230                   | 263                   |
| Exchange loss   | -                     | 885                   |
| Warranty expense  | 60                    | -                     |
| Acquisition related receivables written off                         | -                     | 165                   |
| Corporate Social Responsibility ('CSR') expenditure - refer note 39 | 21                    | 5                     |
| Impairment loss allowance on trade receivables                      | 548                   | 814                   |
| Impairment loss / (written back) on loans                           | 53                    | -37                   |
| Impairment loss allowance on unbilled revenue                       | 56                    | 18                    |
| Travelling and conveyance   | 2,910                 | 2,535                 |
| Miscellaneous expenses  | 176                   | 251                   |
|   | <b>15,815</b>         | <b>15,012</b>         |

**(i) Payment to auditors:**

|                           | <b>March 31, 2020</b> | <b>March 31, 2019</b> |
|---------------------------|-----------------------|-----------------------|
| As auditor:               |                       |                       |
| Audit fee                 | 30                    | 20                    |
| Tax audit fee             | 3                     | 1                     |
| In other capacity         |                       |                       |
| Certification fees        | 3                     | 5                     |
| Reimbursement of expenses | 2                     | 2                     |
|                           | <b>38</b>             | <b>28</b>             |

**(ii) Rent expense recorded under other expenses are lease rental for short-term leases****31 Exceptional items**

|   | <b>March 31, 2020</b> | <b>March 31, 2019</b> |
|---|-----------------------|-----------------------|
| Impairment of investment in subsidiary - refer note 6 | -                     | 2,222                 |
| Impairment of goodwill - refer note 4                 | 1,126                 | 761                   |
|   | <b>1,126</b>          | <b>2,983</b>          |



**HAPPIEST MINDS TECHNOLOGIES PRIVATE LIMITED****Notes to the Standalone Financial Statements for the year ended March 31, 2020***(All amounts in INR lakhs, unless otherwise stated)***32 Income tax expense/(income)****a) Statement of profit or loss**

Current tax  
Adjustment of tax relating to earlier periods  
Deferred tax credit  
**Income tax expense/(income)**

| <b>March 31, 2020</b> | <b>March 31, 2019</b> |
|-----------------------|-----------------------|
| 172                   | -                     |
| 18                    | -                     |
| -                     | -                     |
| <b>190</b>            | <b>-</b>              |

**b) Statement of other comprehensive income**

On remeasurement of defined benefit obligation

|   |   |
|---|---|
| - | - |
| - | - |

**Reconciliation of tax expense and tax based on accounting profit:**

Profit/(loss) before income tax expense  
Tax at the Indian tax rate of 25.17% (2019: 30.90%)  
Tax effect of:  
Utilisation of previous year losses for which no deferred tax was created  
Deferred tax not recognised on current year temporary difference  
Effect on change in rates  
Others  
**Income tax expense/(income)**

|            |          |
|------------|----------|
| 7,533      | 411      |
| 1,896      | 127      |
| (2,260)    | (868)    |
| 292        | 392      |
| 225        | -        |
| 37         | 349      |
| <b>190</b> | <b>-</b> |

The Company elected to exercise the option permitted under section 115BAA of the Income Tax Act, 1961 as introduced by the Taxation Laws (Amendment) Ordinance, 2019. Accordingly, the Company has recognised Provision for Income Tax for the year and re-measured its Deferred tax basis the rate prescribed in the said section.

**33 Earnings per share ['EPS']**

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

Profit after tax attributable to equity holders of the Company (a) (INR in lakhs)  
Weighted average number of shares outstanding during the year for basic EPS (b)  
Weighted average number of shares outstanding during the year for diluted EPS (c)  
Basic earnings per share (in INR) (a/b)  
Diluted earnings per share (in INR) (a/c)

| <b>March 31, 2020</b> | <b>March 31, 2019</b> |
|-----------------------|-----------------------|
| 7,343                 | 411                   |
| 101,792,647           | 75,175,235            |
| 133,688,639           | 122,969,980           |
| 7.21                  | 0.55                  |
| 5.49                  | 0.33                  |

**Equity share reconciliation for EPS**

Equity share outstanding  
CCPS convertible into CCPS  
**Total considered for basic EPS**  
Add: ESOP options / CCPS  
**Total considered for diluted EPS**

|             |             |
|-------------|-------------|
| 30,971,750  | 19,419,435  |
| 70,820,897  | 55,755,800  |
| 101,792,647 | 75,175,235  |
| 31,895,992  | 47,794,745  |
| 133,688,639 | 122,969,980 |

*(This space is intentionally left blank)*

**HAPPIEST MINDS TECHNOLOGIES PRIVATE LIMITED**  
**Notes to the Standalone Financial Statements for the year ended March 31, 2020**  
*(All amounts in INR lakhs, unless otherwise stated)*

**34 Employee benefits plan**

**(i) Defined contribution plans - Provident Fund**

The Company makes contributions for qualifying employees to Provident Fund and other defined contribution plans. During the year, the Company recognised INR 1,905 lakhs (March 31, 2019 : INR 1,690 lakhs) towards defined contribution plans.

**(ii) Defined benefit plans (funded):**

The Company provides for gratuity for employees in India as per the Payment of Gratuity (Amendment) Act, 2018. Employees who are in continuous service for a period of 5 years are eligible for gratuity. The amount of gratuity payable on retirement/ termination is the employees last drawn basic salary per month computed proportionately for 15 days salary multiplied for the number of years of service. The Gratuity plan of the Company is funded.

Gratuity is a defined benefit plan and company is exposed to the Following Risks:

|                 |  |
|-----------------|--|
| Interest risk   | A decrease in the bond interest rate will increase the plan liability.   |
| Investment Risk | The present value of the defined benefit plan liability is calculated using a discount rate which is determined by reference to market yields at the end of the reporting period on government bonds. If the return on plan asset is below this rate, it will create a plan deficit. Currently, for the plan in India, it has a relatively balanced mix of investments in government securities, and other debt instruments. |
| Salary risk     | The present value of the defined benefit plan liability is calculated by reference to the future salaries of members. As such, an increase in the salary of the members more than assumed level will increase the plan's liability.  |
| Longevity risk  | The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.  |

|                    | <b>March 31, 2020</b> | <b>March 31, 2019</b> | <b>April 1, 2018</b> |
|--------------------|-----------------------|-----------------------|----------------------|
| <b>Current</b>     | 240                   | 220                   | 120                  |
| <b>Non-current</b> | 1,255                 | 940                   | 812                  |
|                    | <b>1,495</b>          | <b>1,160</b>          | <b>932</b>           |

The following table sets out movement in defined benefits liability and the amount recognised in the financial statements:

Changes in the defined benefit obligation and fair value of plan assets for the year ended March 31, 2019:

|   | Defined benefit obligation (A) | Fair value of plan assets (B) | Net amount (A-B) |
|---|--------------------------------|-------------------------------|------------------|
| <b>As at April 1, 2018</b>  | <b>969</b>                     | <b>37</b>                     | <b>932</b>       |
| <b>Amount recognised in statement of profit and loss</b>          |                                |                               |                  |
| Current Service cost  | 236                            | -                             | 236              |
| Net interest expense/(income)                                     | 70                             | 3                             | 67               |
| <b>Total amount recognised in statement of profit and loss</b>    | <b>306</b>                     | <b>3</b>                      | <b>303</b>       |
| <b>Benefits paid</b>  | <b>(119)</b>                   | <b>(119)</b>                  | <b>-</b>         |
| <b>Remeasurement</b>  |                                |                               |                  |
| Return on plan assets   | -                              | (1)                           | 1                |
| Actuarial changes arising from changes in demographic assumptions | (50)                           | -                             | (50)             |
| Actuarial changes arising from changes in financial assumptions   | 48                             | -                             | 48               |
| Experience adjustments  | 46                             | -                             | 46               |
| <b>Total amount recognised in other comprehensive income</b>      | <b>44</b>                      | <b>(1)</b>                    | <b>45</b>        |
| Contributions by employer   | -                              | 120                           | (120)            |
| <b>As at March 31, 2019</b>                                       | <b>1,200</b>                   | <b>40</b>                     | <b>1,160</b>     |

**HAPPIEST MINDS TECHNOLOGIES PRIVATE LIMITED**  
**Notes to the Standalone Financial Statements for the year ended March 31, 2020**  
*(All amounts in INR lakhs, unless otherwise stated)*

**Changes in the defined benefit obligation and fair value of plan assets for the year ended March 31, 2020:**

|   | Defined benefit<br>obligation (A) | Fair value of plan<br>assets (B) | Net amount<br>(A-B) |
|---|-----------------------------------|----------------------------------|---------------------|
| <b>As at April 1, 2019</b>  | <b>1,200</b>                      | <b>40</b>                        | <b>1,160</b>        |
| Current Service cost  | 239                               | -                                | 239                 |
| Net interest expense/(income)                                     | 81                                | 3                                | 78                  |
| <b>Total amount recognised in statement of profit and loss</b>    | <b>320</b>                        | <b>3</b>                         | <b>317</b>          |
| <b>Benefits paid</b>  | (119)                             | (119)                            | -                   |
| <b>Remeasurement</b>  |                                   |                                  |                     |
| Return on plan assets   | -                                 | (1)                              | 1                   |
| Actuarial changes arising from changes in demographic assumptions | 127                               | -                                | 127                 |
| Actuarial changes arising from changes in financial assumptions   | (118)                             | -                                | -118                |
| Experience adjustments  | 129                               | -                                | 129                 |
| <b>Total amount recognised in other comprehensive income</b>      | <b>138</b>                        | <b>(1.00)</b>                    | <b>139</b>          |
| Contributions by employer   | -                                 | 120                              | (120.00)            |
| <b>As at March 31, 2020</b>                                       | <b>1,539</b>                      | <b>43</b>                        | <b>1,496</b>        |

*(This space is intentionally left blank)*

**34 Employee benefits plan (continued)**

The major categories of plan assets of the fair value of the total plan assets are as follows:

|                | March 31, 2020 | March 31, 2019 | April 1, 2018 |
|----------------|----------------|----------------|---------------|
| Insurance fund | 44             | 41             | 37            |
| <b>Total</b>   | <b>44</b>      | <b>41</b>      | <b>37</b>     |

The principal assumptions used in determining gratuity benefit obligations for the company's plans are shown below:

|                                | March 31, 2020  | March 31, 2019                           | April 1, 2018                            |
|--------------------------------|---|--|--|
| Discount rate                  | 5.76%   | 6.76%                                    | 7.18%                                    |
| Expected return on plan assets | 5.76%   | 6.76%                                    | 7.18%                                    |
| Future salary increases        | 3.00% p.a. for the next 2 years,<br>6.00% p.a. for the next 2 years,<br>starting from the 3rd year 9.00 p.a. thereafter, starting from the 5th year | 9.00%                                    | 8.00%                                    |
| Employee turnover              | 19.70%  | 28.00%                                   | 23.00%                                   |
| Mortality                      | Indian Assured Lives Mortality (2006-08)  | Indian Assured Lives Mortality (2006-08) | Indian Assured Lives Mortality (2006-08) |

A quantitative sensitivity analysis for significant assumptions are as shown below:

| Sensitivity Level      |                        |      | March 31, 2020   |          | March 31, 2019 |          |
|------------------------|------------------------|------|--|----------|----------------|----------|
|                        |                        |      | Defined benefit obligation on increase/decrease in assumptions |          |                |          |
|                        |                        |      | Increase   | Decrease | Increase       | Decrease |
| Discount rate          | 1% increase / decrease | (65) | 71   | (34)     | 37             |          |
| Future salary increase | 1% increase / decrease | 70   | (65)   | 18       | (34)           |          |
| Attrition rate         | 1% increase / decrease | (17) | 18   | (12)     | 12             |          |

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet.

The following payments are expected cash flows to the defined benefit plan in future years:

Expected contributions to defined benefits plan for the year ended March 31, 2020 is INR 899 Lakhs (March 31, 2019 : INR 792 Lakhs). The weighted average duration of the defined benefit plan obligation at the end of the reporting period is 6 years (March 31, 2019: 4 years). The expected maturity analysis of undiscounted gratuity is as follows:

|                           | March 31, 2020 | March 31, 2019 | April 1, 2018 |
|---------------------------|----------------|----------------|---------------|
| Within the next 12 months | 250            | 252            | 151           |
| Between 2 and 5 years     | 774            | 747            | 568           |
| Between 6 and 10 years    | 571            | 373            | 392           |
| Beyond 10 years           | 481            | 142            | 229           |

*(This space is intentionally left blank)*



35 Fair value measurement

i) The carrying value of financial assets by categories is as follows:

|  | March 31, 2020 | March 31, 2019 | April 1, 2018 |
|--|----------------|----------------|---------------|
| <b>Measured at fair value through other comprehensive income (FVOCI)</b>   |                |                |               |
| Foreign currency forward contracts   | 5              | 224            | 67            |
| Interest rate Swaps  | 14             | 15             | -             |
| <b>Total financial assets measured at FVOCI</b>                            | <b>19</b>      | <b>239</b>     | <b>67</b>     |
| <b>Measured at fair value through statement of profit and loss (FVTPL)</b> |                |                |               |
| Investment in mutual funds   | 8,337          | 9,815          | 13,862        |
| <b>Total financial assets measured at FVTPL</b>                            | <b>8,337</b>   | <b>9,815</b>   | <b>13,862</b> |
| <b>Measured at amortised cost</b>  |                |                |               |
| Security deposits  | 803            | 654            | 814           |
| Investment in subsidiary   | -              | -              | 2,222         |
| Loans to employees   | 64             | 41             | 46            |
| Loans to related parties   | -              | 110            | -             |
| Other financial assets - others  | 19,523         | 7,014          | 1,366         |
| Trade receivables  | 11,487         | 12,752         | 8,855         |
| Cash and cash equivalents  | 4,350          | 2,605          | 1,522         |
| <b>Total financial assets measured at amortised cost</b>                   | <b>36,227</b>  | <b>23,176</b>  | <b>14,825</b> |
| <b>Total financial assets</b>  | <b>44,583</b>  | <b>33,230</b>  | <b>28,754</b> |

ii) The carrying value of financial liabilities by categories is as follows:

|  | March 31, 2020 | March 31, 2019 | April 1, 2018 |
|--|----------------|----------------|---------------|
| <b>Measured at fair value through other comprehensive income (FVOCI)</b>   |                |                |               |
| Foreign currency forward contracts   | 749            | 2              | 50            |
| Interest rate Swaps  | -              | -              | 32            |
| <b>Total financial liabilities measured at FVOCI</b>                       | <b>749</b>     | <b>2</b>       | <b>82</b>     |
| <b>Measured at fair value through statement of profit and loss (FVTPL)</b> |                |                |               |
| Series A 14% Non Cumulative compulsorily convertible preference shares     | -              | 26,322         | 25,852        |
| Employee Stock Option Liability  | -              | -              | 2,100         |
| <b>Total financial liabilities measured at FVTPL</b>                       | <b>-</b>       | <b>26,322</b>  | <b>27,952</b> |
| <b>Measured at amortised cost</b>  |                |                |               |
| Foreign currency term loan   | 927            | 1,579          | 2,168         |
| Lease liabilities  | 3,543          | 4,493          | 5,680         |
| Bank overdraft and cash credit   | 6,916          | 6,012          | 6,855         |
| Trade payables   | 3,463          | 2,907          | 2,385         |
| Other financial liabilities  | 4,853          | 2,895          | 1,299         |
| <b>Total financial liabilities measured at amortised cost</b>              | <b>19,702</b>  | <b>17,886</b>  | <b>18,387</b> |
| <b>Total financial liabilities</b>   | <b>20,451</b>  | <b>44,210</b>  | <b>46,421</b> |

(This space is intentionally left blank)

35 Fair value measurement - continued

iii) Fair value hierarchy

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities:

|  | Quoted prices in<br>active market<br>(Level 1) | Significant<br>observable inputs<br>(Level 2) | Significant<br>Unobservable inputs<br>(Level 3) | Total         |
|--|--|---|---|---------------|
| <b>March 31, 2020</b>  |  |   |   |               |
| <b>Financial assets and liabilities measured at fair values</b>                        |  |   |   |               |
| <b>Measured at fair value through other comprehensive income (FVOCI)</b>               |  |   |   |               |
| Foreign currency forward contracts   | -  | 5   | -   | 5             |
| Interest rate Swaps  | -  | 14  | -   | 14            |
| <b>Measured at fair value through statement of profit and loss (FVTPL)</b>             |  |   |   |               |
| Investment in mutual funds   | 8,337  | -   | -   | 8,337         |
| <b>Total financial asset measured at fair value</b>                                    | <b>8,337</b>                                   | <b>19</b>                                     | <b>-</b>  | <b>8,356</b>  |
| <b>Measured at fair value through other comprehensive income (FVOCI)</b>               |  |   |   |               |
| Foreign currency forward contracts   | -  | 749   | -   | 749           |
| <b>Total financial liabilities measured at Fair value</b>                              | <b>-</b>                                       | <b>749</b>                                    | <b>-</b>  | <b>749</b>    |
| <b>March 31, 2019</b>  |  |   |   |               |
| <b>Financial assets and liabilities measured at fair values</b>                        |  |   |   |               |
| <b>Measured at fair value through other comprehensive income (FVOCI)</b>               |  |   |   |               |
| Foreign currency forward contracts   | -  | 224   | -   | 224           |
| Interest rate Swaps  | -  | 15  | -   | 15            |
| <b>Measured at fair value through statement of profit and loss (FVTPL)</b>             |  |   |   |               |
| Investment in mutual funds   | 9,815  | -   | -   | 9,815         |
| <b>Total financial asset measured at fair value</b>                                    | <b>9,815</b>                                   | <b>239</b>                                    | <b>-</b>  | <b>10,054</b> |
| <b>Measured at fair value through statement of profit and loss (FVTPL)</b>             |  |   |   |               |
| Series A 14% Non Cumulative compulsorily convertible preference shares                 | -  | -   | 26,322  | 26,322        |
| <b>Measured at fair value through other comprehensive income (FVOCI)</b>               |  |   |   |               |
| Foreign currency forward contracts   | -  | 2   | -   | 2             |
| <b>Total financial liabilities measured at Fair value</b>                              | <b>-</b>                                       | <b>2</b>                                      | <b>26,322</b>                                   | <b>26,324</b> |
| <b>April 1, 2018</b>   |  |   |   |               |
| <b>Financial assets and liabilities measured at fair values</b>                        |  |   |   |               |
| <b>Assets measured at fair value through other comprehensive income (FVOCI)</b>        |  |   |   |               |
| Foreign currency forward contracts   | -  | 67  | -   | 67            |
| <b>Assets measured at fair value through statement of profit and loss (FVTPL)</b>      |  |   |   |               |
| Investment in mutual funds   | 13,862   | -   | -   | 13,862        |
| <b>Total financial asset measured at fair value</b>                                    | <b>13,862</b>                                  | <b>67</b>                                     | <b>-</b>  | <b>13,929</b> |
| <b>Measured at fair value through other comprehensive income (FVOCI)</b>               |  |   |   |               |
| Foreign currency forward contracts   | -  | 50  | -   | 50            |
| Interest rate Swaps  | -  | 32  | -   | 32            |
| <b>Liabilities measured at fair value through statement of profit and loss (FVTPL)</b> |  |   |   |               |
| Series A 14% Non Cumulative compulsorily convertible preference shares                 | -  | -   | 25,852  | 25,852        |
| Employee Stock Option Liability  | -  | -   | 2,100   | 2,100         |
| <b>Total financial liabilities measured at Fair value</b>                              | <b>-</b>                                       | <b>82</b>                                     | <b>27,952</b>                                   | <b>28,034</b> |

Notes:

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- The fair value of liquid mutual funds is based on the net assets value (NAV) as declared by the fund house.
- The Company has entered into foreign currency forward contract to hedge the highly probable forecast transaction and interest rate swap to hedge the foreign currency term loan. The derivative financial instrument is entered with the financial institutions with investment grade ratings. Interest rate swaps and foreign exchange forward contracts are valued based on valuation models which include use of market observable inputs, the mark to market valuation is provided by the financial institution as at reporting date. The valuation of derivative contracts are categorised as level 2 in fair value hierarchy disclosure.
- The management assessed that cash and cash equivalent, trade receivables, trade payables, other financial assets-others (current), other financial liability (current), bank overdraft and cash credit, lease liabilities (current) and loans to employees approximates their fair value largely due to short-term maturities of these instruments. Further the management also estimates that the carrying amount of foreign currency term loan at floating interest rates are the reasonable approximation of their fair value and the difference between carrying amount and their fair value is not significant.
- The Series A 14% Non Cumulative compulsorily convertible preference shares held by Investors is classified as liability and carried at fair value through profit and loss. The Company has valued the instrument by using the discounted cash flow approach
- The fair value of remaining financial instruments are determined on transaction date based on discounted cash flows calculated using lending/ borrowing rate. Subsequently, these are carried at amortized cost. There is no significant change in fair value of such liabilities and assets.

For financial assets carried at fair value, their carrying amount are equal to their fair value.

**Valuation Inputs and relationship to fair value**

|   | Significant unobservable inputs | Weighted range               | Sensitivity   |
|---|---------------------------------|------------------------------|---|
| <b>March 31, 2019</b>   |                                 |                              |   |
| <b>Series A 14% Non Cumulative compulsorily convertible preference shares (CCPS)*</b> | Revenue                         | USD 105.7 Mn - USD 206.46 Mn | Increased revenue by 1% and decreased revenue by 1% would increase CCPS value by INR 503 lakhs and decrease CCPS value by INR 504 lakhs                 |
|   | EBIDTA                          | 12%-15%                      | Increased EBIDTA by 1% and decreased EBIDTA by 1% would increase CCPS value by INR 5,297 lakhs and decrease CCPS value by INR 5,329 lakhs               |
|   | Discount rate                   | 23.40%                       | Increased discount rate by 1% and decreased discount rate by 1% would decrease CCPS value by INR 3,408 lakhs and increase CCPS value by INR 3,804 lakhs |
| <b>April 1, 2018</b>  |                                 |                              |   |
| <b>Series A 14% Non Cumulative compulsorily convertible preference shares (CCPS)*</b> | Revenue                         | USD 98.5 Mn - USD 231.89 Mn  | Increased revenue by 1% and decreased revenue by 1% would increase CCPS value by INR 1,118 lakhs and decrease CCPS value by INR 1,198 lakhs             |
|   | EBIDTA                          | 10.5%-25.2%                  | Increased EBIDTA by 1% and decreased EBIDTA by 1% would increase CCPS value by INR 2,698 lakhs and decrease CCPS value by INR 2,708 lakhs               |
|   | Discount rate                   | 24.35%                       | Increased discount rate by 1% and decreased discount rate by 1% would decrease CCPS value by INR 3,172 lakhs and increase CCPS value by INR 3,526 lakhs |

\* Company has used discounted cash flow method for valuation of Series A 14% Non Cumulative compulsorily convertible preference shares

**36 Financial risk management**

The Company's principal financial liabilities comprise of borrowings, lease obligation, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include security deposits, investments, trade and other receivables and cash and cash equivalents that is derived directly from its operations. The Company also enters into derivative transactions for hedging purpose.

The Company's activities exposes it to market risk, liquidity risk and credit risk. The Company's risk management is carried out by the management under the policies approved by the Board of Directors that help in identification, measurement, mitigation and reporting all risks associated with the activities of the Company. These risks are identified on a continuous basis and assessed for the impact on the financial performance. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Company's policy that no trading in derivatives for speculative purposes will be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

**1. Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits, investments, and derivative financial instruments.

**i. Foreign currency risk**

The company's operates in various geographies and is exposed to foreign exchange risk on its various currency exposures. The risk of changes in foreign exchange rates relates primarily to the Company's operating activities.

The Company uses foreign currency forward contract governed by its board approved policy to mitigate its foreign currency risk that are expected to occur within next 12 months period for forecasted sales. The counterparty for these contracts is generally a reputed scheduled bank. The company reports quarterly to a committee of the board, which monitors foreign exchange risks and policies implemented to manage its foreign exchange exposures.

When a derivative is entered into for the purpose of being a hedge, the Company negotiates the terms of those derivatives to match the terms of the hedged exposure. For hedges of forecast transactions, the derivatives cover the period of exposure from the point the cash flows of the transactions are forecasted up to the point of settlement of the resulting receivable that is denominated in the foreign currency.

Hedge effectiveness is determined at inception and periodic prospective effectiveness testing is done to ensure the relationship exist between the hedged items and hedging instruments, including whether the hedging instruments is expected to offset changes in cash flows of hedge items.

(This space is intentionally left blank)

36 Financial risk management (continued)

1. Market risk (continued)

i. Foreign currency risk (continued)

a) The Company's exposure in foreign currency at the end of reporting period :

| Currency | Particulars   | March 31, 2020 |       | March 31, 2019 |          | April 31, 2018 |          |
|----------|---|----------------|-------|----------------|----------|----------------|----------|
|          |   | FC             | INR   | FC             | INR      | FC             | INR      |
| USD      | <b>Financial assets</b>   |                |       |                |          |                |          |
|          | Trade receivables   |                | 106   |                | 7,975    |                | 142      |
|          | Loans   |                | 1     |                | 58       |                | -        |
|          | Other financial assets  |                | 44    |                | 3,322    |                | 18       |
|          | Bank accounts   |                | 24    |                | 1,811    |                | 15       |
|          | <b>Derivative assets</b>  |                |       |                |          |                |          |
|          | Foreign exchange forward contracts*                               |                | (259) |                | (19,482) |                | (75)     |
|          | <b>Net exposure on foreign currency risk (assets)</b>             |                | -     |                | -        |                | 100      |
|          |   |                |       |                |          |                | 6,945    |
|          |   |                |       |                |          |                | -        |
|          |   |                |       |                |          |                | -        |
|          | <b>Financial liability</b>  |                |       |                |          |                |          |
|          | Borrowings  |                | 104   |                | 7,854    |                | 96       |
|          | Trade payables  |                | 27    |                | 2,069    |                | 21       |
|          | Other financial liabilities                                       |                | 18    |                | 1,384    |                | 7        |
|          | Other liabilities   |                | 4     |                | 325      |                | 4        |
|          | <b>Net exposure on foreign currency risk (liabilities)</b>        |                | 153   |                | 11,632   |                | 128      |
|          |   |                |       |                |          |                | 8,801    |
|          |   |                |       |                |          |                | 155      |
|          | <b>Net exposure on foreign currency risk (Assets-liabilities)</b> |                | (153) |                | (11,632) |                | (28)     |
|          |   |                |       |                |          |                | (1,856)  |
|          |   |                |       |                |          |                | (155)    |
|          |   |                |       |                |          |                | (10,135) |
| Currency | Particulars   | March 31, 2020 |       | March 31, 2019 |          | April 31, 2018 |          |
|          |   | FC             | INR   | FC             | INR      | FC             | INR      |
| EURO     | <b>Financial assets</b>   |                |       |                |          |                |          |
|          | Trade receivables   |                | 6     |                | 536      |                | 5        |
|          | Loans   |                | 0     |                | 0        |                | -        |
|          | Other financial assets  |                | 3     |                | 256      |                | -        |
|          | Bank accounts   |                | 3     |                | 290      |                | -        |
|          | <b>Derivative assets</b>  |                |       |                |          |                |          |
|          | Foreign exchange forward contracts*                               |                | -23   |                | -1869    |                | (5)      |
|          | <b>Net exposure on foreign currency risk (assets)</b>             |                | -     |                | -        |                | -        |
|          |   |                |       |                |          |                | 78       |
|          |   |                |       |                |          |                | 4        |
|          |   |                |       |                |          |                | 364      |
|          | <b>Financial liability</b>  |                |       |                |          |                |          |
|          | Trade payables  |                | *     |                | (14)     |                | -        |
|          | Other financial liabilities                                       |                | -     |                | -        |                | (3)      |
|          | Other liabilities   |                | 0     |                | 14       |                | 1        |
|          | <b>Net exposure on foreign currency risk (liabilities)</b>        |                | -     |                | -        |                | 1        |
|          |   |                |       |                |          |                | 61       |
|          |   |                |       |                |          |                | -        |
|          | <b>Net exposure on foreign currency risk (Assets-liabilities)</b> |                | -     |                | -        |                | (1)      |
|          |   |                |       |                |          |                | 17       |
|          |   |                |       |                |          |                | 4        |
|          |   |                |       |                |          |                | 368      |
| GBP      | <b>Financial assets</b>   |                |       |                |          |                |          |
|          | Trade receivables   |                | 5     |                | 481      |                | 13       |
|          | Loans   |                | -     |                | 10       |                | -        |
|          | Other financial assets  |                | 1     |                | 112      |                | 1        |
|          | Bank accounts   |                | 4     |                | 380      |                | 1        |
|          | <b>Net exposure on foreign currency risk (assets)</b>             |                | 10    |                | 983      |                | 15       |
|          |   |                |       |                |          |                | 1,318    |
|          |   |                |       |                |          |                | 7        |
|          |   |                |       |                |          |                | 606      |
|          | <b>Financial liability</b>  |                |       |                |          |                |          |
|          | Trade payables  |                | 1     |                | 124      |                | 1        |
|          | Other financial liabilities                                       |                | 3     |                | 260      |                | 1        |
|          | Other liabilities   |                | -     |                | 34       |                | 2        |
|          | <b>Net exposure on foreign currency risk (liabilities)</b>        |                | 4     |                | 418      |                | 4        |
|          |   |                |       |                |          |                | 368      |
|          |   |                |       |                |          |                | 4        |
|          | <b>Net exposure on foreign currency risk (Assets-liabilities)</b> |                | 6     |                | 565      |                | 11       |
|          |   |                |       |                |          |                | 950      |
|          |   |                |       |                |          |                | 3        |
|          |   |                |       |                |          |                | 288      |

\* Represents outstanding foreign currency forward contracts. The outstanding forward contracts as April 1, 2018, March 31, 2019 and March 31, 2020 are within the maturity period of 12 months.



**36 Financial risk management (continued)**

**1. Market risk (continued)**

**i. Foreign currency risk (continued)**

b) The sensitivity of profit or loss to changes in foreign exchange rates arising mainly from foreign currency denominated financial instrument:

| (INR In lakhs)              |                |                |
|-----------------------------|----------------|----------------|
| Impact on profit before tax |                |                |
|                             | March 31, 2020 | March 31, 2019 |
| <b>USD sensitivity</b>      |                |                |
| INR/ USD increases by 5%    | (582)          | (93)           |
| INR/ USD decreases by 5%    | 582            | 93             |
| <b>EURO sensitivity</b>     |                |                |
| INR/ EURO increases by 5%   | -              | 1              |
| INR/ EURO decreases by 5%   | -              | (1)            |
| <b>GBP sensitivity</b>      |                |                |
| INR/ GBP increases by 5%    | 28             | 48             |
| INR/ GBP decreases by 5%    | (28)           | (48)           |

\* Sensitivity is calculated holding all other variables constant

**ii. Interest rate risk**

The Company exposure to the risk of changes in market interest rates relates primarily to the Company's foreign currency term loan obtained from RBL at floating interest of 6m Libor + 3.1%. To manage the risk the Company has entered into a interest rate swap, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts as per contractual arrangement.

There is an economic relationship between the hedged item and the hedging instrument as the critical terms of the interest rate swap match with the terms of the designated hedge item i.e. foreign currency loan from RBL Bank. The Company has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the interest rate swap is identical to the hedged risk component. Considering the critical terms are identical and have economic relationship between hedge instrument and hedge item, the hedge is considered as effective.

Apart from the above borrowings, all its financial assets or liabilities are either non-interest bearing or are at a fixed interest rate and carried at amortised cost. Thus, the Company doesn't foresee any interest rate risk on these items.

**iii. Price risk**

The company exposure to price risk arises for investment in mutual funds held by the company. To manage its price risk arising from investments in mutual funds, the Company diversifies its portfolio.

**Sensitivity:**

The sensitivity of profit or loss to change in Net assets value (NAV) as at year end for investment in mutual funds.

| Impact on profit before tax |                |                |
|-----------------------------|----------------|----------------|
|                             | March 31, 2020 | March 31, 2019 |
| NAV increases by 5%         | 417            | 491            |
| NAV decreases by 5%         | (417)          | (491)          |

**Impact of Hedge activities**

(a) The following provides the details of hedging instrument and its impact on balance sheet

| March 31, 2020   |                                     |               |   |             |
|--|-------------------------------------|---------------|---|-------------|
| Currency   | Nominal value<br>(Foreign Currency) | Amount in INR | Lime item in the<br>balance sheet       | Fair value* |
| <b>Cash flow hedge</b>   |                                     |               |   |             |
| <b>Foreign currency risk</b>   |                                     |               |   |             |
| (for highly probable forecast transactions)                            |                                     |               |   |             |
| - Foreign currency forward contracts                                   | INR/USD                             | 259           | 19,128 Other financial assets/liability | (728)       |
| - Foreign currency forward contracts                                   | INR/EURO                            | 23            | 1884 Other financial assets/liability   | (16)        |
| March 31, 2020   |                                     |               |   |             |
| Currency   | Nominal value<br>(Foreign Currency) | Amount in INR | Lime item in the<br>balance sheet       | Fair value* |
| <b>Interest rate risk</b>  |                                     |               |   |             |
| - Interest rate swaps<br>(for variable interest rate risk on RBL Loan) | USD                                 | 12            | Other financial assets                  | 14          |

\* represents the impact of mark to market value at year end.

| March 31, 2019                              |                                     |               |  |             |
|---|-------------------------------------|---------------|--|-------------|
| Currency                                    | Nominal value<br>(Foreign Currency) | Amount in INR | Lime item in the<br>balance sheet      | Fair value* |
| <b>Cash flow hedge</b>                      |                                     |               |  |             |
| <b>Foreign currency risk</b>                |                                     |               |  |             |
| (for highly probable forecast transactions) |                                     |               |  |             |
| - Foreign currency forward contracts        | INR/USD                             | 75            | 5,400 Other financial assets/liability | 199         |
| - Foreign currency forward contracts        | INR/EURO                            | 5             | 380 Other financial assets/liability   | 23          |

**HAPPIEST MINDS TECHNOLOGIES PRIVATE LIMITED**  
**Notes to the Standalone Financial Statements for the year ended March 31, 2020**  
*(All amounts in INR lakhs, unless otherwise stated)*

**36 Financial risk management (continued)**

**1. Market risk (continued)**

**iii. Price risk (continued)**

**Interest rate risk**

- Interest rate swaps

(for variable interest rate risk on RBL Loan)

| March 31, 2019 |                                     |                                   |             |
|----------------|-------------------------------------|-----------------------------------|-------------|
| Currency       | Nominal value<br>(Foreign Currency) | Lime item in the<br>balance sheet | Fair value* |

|     |  |                           |    |
|-----|--|---------------------------|----|
| USD |  | 23 Other financial assets | 15 |
|-----|--|---------------------------|----|

\* represents the impact of mark to market value at year end.

**Cash flow hedge**

**Foreign currency risk**

(for highly probable forecast transactions)

- Foreign currency forward contracts

- Foreign currency forward contracts

| April 1, 2018 |                                     |               |                                   |             |
|---------------|-------------------------------------|---------------|-----------------------------------|-------------|
| Currency      | Nominal value<br>(Foreign Currency) | Amount in INR | Lime item in the<br>balance sheet | Fair value* |

|          |     |        |                                  |    |
|----------|-----|--------|----------------------------------|----|
| INR/USD  | 167 | 11,070 | Other financial assets/liability | 26 |
| INR/EURO | 7   | 527    | Other financial assets/liability | -9 |

| April 1, 2018 |                                     |                                   |             |
|---------------|-------------------------------------|-----------------------------------|-------------|
| Currency      | Nominal value<br>(Foreign Currency) | Lime item in the<br>balance sheet | Fair value* |

**Interest rate risk**

- Interest rate swaps (For liabilities)

(for variable interest rate risk on RBL Loan)

|     |  |                              |      |
|-----|--|------------------------------|------|
| USD |  | 34 Other financial liability | (32) |
|-----|--|------------------------------|------|

\* represents the impact of mark to market value at year end.

**(b) The effect of cash flow hedge in hedge reserve and statement of profit and loss:**

**Balance as at April 1, 2018**

Hedge gain/(loss) recognised in OCI

Amount reclassified to from OCI to statement of profit and loss

**Balance as at March 31, 2019**

Hedge gain/(loss) recognised in OCI

Amount reclassified to from OCI to statement of profit and loss

**Balance as at March 31, 2020**

| Highly probable<br>forecast sales | Interest rate swaps | Total        |
|-----------------------------------|---------------------|--------------|
| 17                                | (32)                | (15)         |
| 841                               | 67                  | 908          |
| (637)                             | (20)                | (657)        |
| <b>221</b>                        | <b>15</b>           | <b>236</b>   |
| (1,190)                           | (14)                | (1,204)      |
| 225                               | 12                  | 237          |
| <b>(744)</b>                      | <b>13</b>           | <b>(731)</b> |

Reclassification for foreign currency forward contracts is recognised in foreign exchange gain or loss in statement of profit and loss.

Reclassification for interest rate swaps is recognised in interest expense in statement of profit and loss.

*(This space is intentionally left blank)*

**36 Financial risk management (continued)**

**2. Credit risk**

Credit risk is the risk that counter party will not meet its obligations under a financial instruments or customer contract leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its investing activities and from investing activities (primarily deposits with banks and investments in mutual funds)

**(i) Trade receivables**

Trade receivables are typically unsecured and derived from revenue from contracts with customers. Customer credit risks is managed by each business units subject to Company's policy and procedures which involves credit approvals, establishing credit limits and continuously monitoring the credit worthiness of customers to which the Company grants credits in the normal course of business. The Company follows 'simplified approach' for recognition of impairment loss allowance on trade receivable. Under the simplified approach, the Company does not track changes in credit risk. Rather, it recognizes impairment loss allowance based on lifetime expected credit losses at each reporting date, right from initial recognition. The company uses a provision matrix to determine impairment loss allowance on the portfolio of trade receivables. The provision matrix takes into account available external and internal credit risk factors and the Company's historical experience with customers. Ageing of trade receivables and the provision in books for trade receivables:

|                              | Current      | 1-90 days    | 91-180 days | 181-270 days | 271-365 days | More than 365 days | Total         |
|------------------------------|--------------|--------------|-------------|--------------|--------------|--------------------|---------------|
| <b>As at March 31, 2020</b>  |              |              |             |              |              |                    |               |
| Trade receivables            | 8,200        | 3,332        | 474         | 326          | 104          | 1,567              | <b>14,003</b> |
| Allowance for expected loss  | (332)        | (101)        | (134)       | (281)        | (101)        | (1,567)            | (2,516)       |
| <b>Net Trade receivables</b> | <b>7,868</b> | <b>3,231</b> | <b>340</b>  | <b>45</b>    | <b>3</b>     | <b>-</b>           | <b>11,487</b> |
| <b>As at March 31, 2019</b>  |              |              |             |              |              |                    |               |
| Trade receivables            | 8,984        | 3,665        | 460         | 411          | 207          | 992                | <b>14,719</b> |
| Allowance for expected loss  | (180)        | (110)        | (120)       | (370)        | (195)        | (992)              | (1,967)       |
| <b>Net Trade receivables</b> | <b>8,804</b> | <b>3,555</b> | <b>340</b>  | <b>41</b>    | <b>12</b>    | <b>-</b>           | <b>12,752</b> |
| <b>As at April 1, 2018</b>   |              |              |             |              |              |                    |               |
| Trade receivables            | 7,612        | 1,255        | 171         | 146          | 139          | 682                | <b>10,005</b> |
| Allowance for expected loss  | (152)        | (38)         | (44)        | (107)        | (130)        | (682)              | (1,153)       |
| <b>Net Trade receivables</b> | <b>7,460</b> | <b>1,217</b> | <b>127</b>  | <b>39</b>    | <b>9</b>     | <b>-</b>           | <b>8,852</b>  |

**Reconciliation of loss allowance**

|  | <b>March 31, 2020</b> | <b>March 31, 2019</b> |
|--|-----------------------|-----------------------|
| Opening balance as at April, 1         | (1,967)               | (1,153)               |
| Allowance made during the year (net)   | (548)                 | (814)                 |
| <b>Closing balance as at March, 31</b> | <b>(2,515)</b>        | <b>(1,967)</b>        |

**Other financial assets and cash deposit**

Credit risk from balances with the banks, loans, investments in mutual funds and other financial assets are managed by the company based on the company policy and is managed by the Company's Treasury Team. Investment of surplus fund is made only with approved counterparties. The Company's maximum exposure to credit risk is the carrying amount of such assets as disclosed in note 35 above.

**Reconciliation of loss allowance**

|  | <b>March 31, 2020</b> | <b>March 31, 2019</b> |
|--|-----------------------|-----------------------|
| Opening balance as at April, 1                   | 37                    | 55                    |
| Allowance made during the year                   | 56                    | 20                    |
| Allowance reversed/ written back during the year | 52                    | (38)                  |
| <b>Closing balance as at March, 31</b>           | <b>145</b>            | <b>37</b>             |

*(This space is intentionally left blank)*

**36 Financial risk management (continued)**

**3. Liquidity risk**

Liquidity risk is the risk that the Company may not be able to meet its present and future cash and collateral obligations without incurring unacceptable losses. The Company's objective is to, at all times maintain optimum levels of liquidity to meet its cash and collateral requirements. The Company closely monitors its position and maintains adequate source of financing.

The Company has access to the following undrawn borrowing facilities at the end of the reporting period:

|                     | <b>March 31, 2020</b> | <b>March 31, 2019</b> | <b>April 1, 2018</b> |
|---------------------|-----------------------|-----------------------|----------------------|
| RBL Bank Limited    | 140                   | 1,637                 | 244                  |
| Kotak Mahindra Bank | 1,937                 | 2,351                 | 402                  |
|                     | <b>2,077</b>          | <b>3,988</b>          | <b>646</b>           |

The table below summarises the maturity profile of the Company's financial liabilities at the reporting date. The amounts are based on contractual undiscounted payments.

| <b>Particulars</b>   | <b>On demand</b> | <b>Less than 1 year</b> | <b>More than 1 year</b> | <b>Total</b>  |
|--|------------------|-------------------------|-------------------------|---------------|
| <b>As at March 31, 2020</b>  |                  |                         |                         |               |
| Borrowings (including current maturities)                              | 6,916.00         | 804                     | 134                     | 7,854         |
| Lease liabilities  | -                | 2,092.00                | 1,898.00                | 3,990         |
| Trade payables   | -                | 3,463                   | -                       | 3,463         |
| Foreign currency forward contracts                                     | -                | 749                     | -                       | 749           |
| Other current financial liabilities #                                  | -                | 553                     | 1                       | 554.00        |
|  | <b>6,916</b>     | <b>7,661</b>            | <b>2,033</b>            | <b>16,610</b> |
| <b>As at March 31, 2019</b>  |                  |                         |                         |               |
| Borrowings (including current maturities)                              | 6,012            | 738                     | 861                     | 7,611         |
| Lease liabilities  | -                | 1,939                   | 3,300                   | 5,239         |
| Trade payables   | -                | 2,907                   | -                       | 2,907         |
| Series A 14% Non Cumulative compulsorily convertible preference shares | 26,322           | -                       | -                       | 26,322        |
| Foreign currency forward contracts                                     | -                | 2                       | -                       | 2             |
| Employee Stock Option Liability  | -                | -                       | -                       | -             |
| Other current financial liabilities #                                  | -                | 2,973                   | 33                      | 3,006         |
|  | <b>32,334</b>    | <b>8,559</b>            | <b>4,194</b>            | <b>45,087</b> |
| <b>As at April 01, 2018</b>  |                  |                         |                         |               |
| Borrowings (including current maturities)                              | 6,855            | 694                     | 1,503                   | 9,052         |
| Lease liabilities  | -                | 1,909                   | 4,959                   | 6,868         |
| Trade payables   | -                | 2,385                   | -                       | 2,385         |
| Series A 14% Non Cumulative compulsorily convertible preference shares | -                | 25,852                  | -                       | 25,852        |
| Foreign currency forward contracts                                     | -                | 50                      | -                       | 50            |
| Interest rate Swaps  | -                | 32                      | -                       | 32            |
| Employee Stock Option Liability  | 2,100            | -                       | -                       | 2,100         |
| Other current financial liabilities #                                  | -                | 1,421                   | 109                     | 1,530         |
|  | <b>8,955</b>     | <b>32,343</b>           | <b>6,571</b>            | <b>47,869</b> |

# Includes future interest payable on outstanding borrowings

*(This space is intentionally left blank)*



**HAPPIEST MINDS TECHNOLOGIES PRIVATE LIMITED****Notes to the Standalone Financial Statements for the year ended March 31, 2020***(All amounts in INR lakhs, unless otherwise stated)***37 Capital management**

For the purpose of the Company's capital management, capital includes issued equity capital, convertible preference shares, securities premium and all other equity reserves. The primary objective of the Company's capital management is to maintain a strong capital base to ensure sustained growth in business and to maximize the shareholders value. The capital management focuses to maintain an optimal structure that balances growth and maximizes shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company includes within net debt, interest bearing loans and borrowings, less cash and cash equivalents. The Company's gearing ratio, which is net debt divided by total capital plus net debt is as below:

| <b>Particulars</b>                              | <b>March 31, 2020</b> | <b>March 31, 2019</b> | <b>April 01, 2018</b> |
|---|-----------------------|-----------------------|-----------------------|
| Borrowings (including current maturities)       | 7,843                 | 7,591                 | 9,023                 |
| Less : Cash and cash equivalents                | (4,350)               | (2,605)               | (1,522)               |
| <b>Net (cash and cash equivalents)/debt (A)</b> | <b>3,493</b>          | <b>4,986</b>          | <b>7,501</b>          |
| Equity  | 26,561                | (6,759)               | (9,924)               |
| Series A 14% Non-cumulative CCPS                | -                     | 26,322                | 25,852                |
| <b>Total equity capital (B)</b>                 | <b>26,561</b>         | <b>19,563</b>         | <b>15,928</b>         |
| <b>Total debt and equity (C)=(A)+(B)</b>        | <b>30,054</b>         | <b>24,549</b>         | <b>23,429</b>         |
| <b>Gearing ratio (A)/(C)</b>                    | <b>12%</b>            | <b>20%</b>            | <b>32%</b>            |

No changes were made in the objectives, policies or processes for managing capital during the year ended March 31, 2020, March 31, 2019 and April 01, 2018.

During the year the Company has not defaulted in any of the loan covenants.

*(This space is intentionally left blank)*

**HAPPIEST MINDS TECHNOLOGIES PRIVATE LIMITED****Notes to the Standalone Financial Statements for the year ended March 31, 2020***(All amounts in INR lakhs, unless otherwise stated)***38 Related Party Disclosure****(i) List of related parties and relationship****Key management personnel (KMP)**

1. Mr. Ashok Soota (Executive Chairman)
2. Mr. Venkatraman N (Director) (w.e.f January 16, 2018)
3. Mr. Girish Paranjpe (Director) (w.e.f June 27 2017 till 10th March)
4. Mr. Avneet Singh Kochar (Director)
5. Mr. Sashi Kumar (Managing Director) (until w.e.f February 01,

**Subsidiary**

Happiest Minds Technology LLC

**Post employee benefit plan**

Happiest Minds Technologies Pvt. Ltd. Employees group gratuity trust

**a) The following table is the summary of significant transactions with related parties by the Company:**

|  | <b>March 31, 2020</b> | <b>March 31, 2019</b> |
|--|-----------------------|-----------------------|
| <b>(i) <u>Contribution made to post employee benefit plan:</u></b>                         |                       |                       |
| Happiest Minds Technologies Pvt. Ltd. Employees group gratuity trust                       | 120                   | 120                   |
| <b>(ii) <u>Director's sitting fees:</u></b>  |                       |                       |
| Mr. Girish Paranjape   | 9                     | 12                    |
| <b>(iii) <u>Managerial remuneration*</u> :</b>   |                       |                       |
| Mr. Venkatraman N  |                       |                       |
| Salary, wages and bonus  | 107                   | 79                    |
| Employee stock compensation expense  | 10                    | 34                    |
| Mr. Ashok Soota  |                       |                       |
| Salary, wages and bonus  | 128                   | 88                    |
| Conversion of 75,000 (PY: Nil) preference shares into equity shares - refer note (i) below | -                     | -                     |

\*As the liability for gratuity and compensated leave absences is provided on an actuarial basis for the Company as a whole, the amount pertaining to the directors are not included above.

(i) In pursuant to resolution dated March 16, 2020, 75,000 14% series A full convertible non-cumulative preference shares held by Mr. Ashok Soota was converted into equity shares in the ratio of 163 equity shares for every preference shares held. Total amount of such transaction was INR 489 lakhs.

**b) The balances receivable from and payable to related parties are as follows :**

|                                      | <b>March 31, 2020</b> | <b>March 31, 2019</b> | <b>April 01, 2018</b> |
|--------------------------------------|-----------------------|-----------------------|-----------------------|
| <b>(i) <u>Trade receivables:</u></b> |                       |                       |                       |
| Happiest Minds Technology LLC        | -                     | 193                   | 146                   |
| <b>(ii) <u>Unbilled revenue:</u></b> |                       |                       |                       |
| Happiest Minds Technology LLC        | -                     | -                     | 107                   |
| <b>(iii) <u>Loans</u></b>            |                       |                       |                       |
| Happiest Minds Technology LLC        | 53                    | 110                   | -                     |

**HAPPIEST MINDS TECHNOLOGIES PRIVATE LIMITED****Notes to the Standalone Financial Statements for the year ended March 31, 2020***(All amounts in INR lakhs, unless otherwise stated)***39 Corporate Social Responsibility ('CSR') expenditure**

Consequent to the requirements of Section 135 and Schedule VII of the Companies Act, 2013, companies are required to contribute 2% of its average net profits during the immediately three preceding financial years in pursuance of its Corporate Social Responsibility Policy.

**Details of CSR expenditure are as follows:**

|  | <b>March 31, 2020</b> |                               | <b>March 31, 2019</b> |
|--|-----------------------|-------------------------------|-----------------------|
| (a) Gross amount required to be spent by the Company during the year | 5                     |                               | -                     |
| (b) Amount spent during the year                                     | 21                    |                               | 5                     |
| <b>Particulars</b>   | <b>In cash</b>        | <b>Yet to be paid in cash</b> | <b>Total</b>          |
| <b>Construction/ Acquisition of any asset</b>                        | -                     | -                             | -                     |
| March 31, 2020   | -                     | -                             | -                     |
| March 31, 2019   | -                     | -                             | -                     |
| <b>On purpose other than above</b>                                   |                       |                               |                       |
| March 31, 2020   | 21                    | -                             | 21                    |
| March 31, 2019   | 5                     | -                             | 5                     |
| <b>Total</b>   |                       |                               |                       |
| March 31, 2020   | 21                    | -                             | 21                    |
| March 31, 2019   | 5                     | -                             | 5                     |

*(This space is intentionally left blank)*

**HAPPIEST MINDS TECHNOLOGIES PRIVATE LIMITED****Notes to the Standalone Financial Statements for the year ended March 31, 2020***(All amounts in INR lakhs, unless otherwise stated)***40 Commitments and Contingent Liabilities****i) Capital Commitments**

|  | <b>March 31, 2020</b> | <b>March 31, 2019</b> | <b>April 1, 2018</b> |
|--|-----------------------|-----------------------|----------------------|
| Capital commitments towards purchase of capital assets | 72                    | 186                   | -                    |

**ii) Contingent liabilities**

|   |       |     |     |
|---|-------|-----|-----|
| Guarantees given by banks on behalf of the Company for contractual obligations of the Company | 1,007 | 460 | 396 |
|---|-------|-----|-----|

**iii) Other claims against company not provided for in books**

The Company had entered into Membership Interest Purchase agreement on May 29, 2017 to acquire interest in OSS Cube LLC. As per terms of Membership Interest Purchase agreement, the sellers of OSS Cube LLC had to pay INR 1,001 lakhs 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 lakhs and have made a counterclaim of INR 5,584 lakhs 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 statement. Subsequent to the end of the year on 15th April 2020, a settlement was reached and settlement agreement has been entered by both the parties wherein the Sellers have agreed to pay USD 2.8 lakhs over an agreed period of time and all claims by the Seller have been relinquished. No adjustments were required to be made in the financial statements for the year ended March 31, 2020, as the settlement was agreed subsequent to the end of the year.

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

**iv)** There are numerous interpretative issues relating to the Supreme Court (SC) judgement on PF dated February 28, 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.

*(This space is intentionally left blank)*

#### 41 Segment Information

##### A. Description of segments and principal activities

The Company executive management committee examines the Company's performance on the basis of its business and has identified three reportable segments:

##### i) 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 Company 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.

##### ii) Digital Business Solutions (DBS):

Digital Business Solutions group delivers enterprise applications and customised solutions that enable organizations to be smarter and accelerate business transformations. The Company 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.

##### iii) 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 Company 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.

##### B. Segment revenue, segment results other information as at / for the year:

###### Year ended March 31, 2020

##### Revenue from contracts with customers

External customers

Inter-segment

##### Segment revenue

##### Segment results

| IMSS          | DBS           | PES           | Total         |
|---------------|---------------|---------------|---------------|
| 15,361        | 19,167        | 35,293        | 69,821        |
| -             | -             | -             | -             |
| <b>15,361</b> | <b>19,167</b> | <b>35,293</b> | <b>69,821</b> |
| <b>2,961</b>  | <b>3,950</b>  | <b>11,860</b> | <b>18,771</b> |

##### Reconciliation to profit after tax:

|  |              |
|--|--------------|
| Interest income  | 460          |
| Net gain on investments carried at Fair value through profit or loss   | 576          |
| Other unallocable income   | 560          |
| Unallocable finance cost   | (799)        |
| Unallocable depreciation and amortisation                              | (2,023)      |
| Impairment of goodwill   | (1,126)      |
| Other unallocable expenses   | (9,025)      |
| Re-measurement gains/ (losses) on defined benefit plans (Moved to OCI) | 139          |
| Tax  | (190)        |
| <b>Profit/ (loss for the year)</b>                                     | <b>7,343</b> |

##### Segment assets

##### Reconciliation to total assets:

Investments

Derivative instruments

Other unallocable assets

##### Total

| IMSS  | DBS   | PES   | Total  |
|-------|-------|-------|--------|
| 4,207 | 4,216 | 7,841 | 16,264 |

##### Segment liability

##### Reconciliation to total liabilities:

Borrowings

Other unallocable liabilities

##### Total

| IMSS | DBS | PES | Total |
|------|-----|-----|-------|
| 594  | 992 | 675 | 2,261 |

###### Year ended March 31, 2019

##### Revenue from contracts with customers

External customers

Inter-segment

##### Segment revenue

##### Segment results

| IMSS          | DBS           | PES           | Total         |
|---------------|---------------|---------------|---------------|
| 12,943        | 18,090        | 28,003        | 59,036        |
| -             | -             | -             | -             |
| <b>12,943</b> | <b>18,090</b> | <b>28,003</b> | <b>59,036</b> |
| <b>2,363</b>  | <b>4,174</b>  | <b>11,638</b> | <b>18,175</b> |



**41 Segment Information (continued)**

**Reconciliation to profit after tax:**

|  |            |
|--|------------|
| <b>Interest income</b>   | 291        |
| Net gain on investments carried at Fair value through profit or loss   | 772        |
| Other unallocable income   | 59         |
| Unallocable finance cost   | (1,589)    |
| Unallocable depreciation and amortisation                              | (2,024)    |
| Diminution in value of investment in subsidiary                        | (2,983)    |
| Other unallocable expenses   | (12,335)   |
| Re-measurement gains/ (losses) on defined benefit plans (Moved to OCI) | 45         |
| Tax  | -          |
| <b>Profit/ (loss for the year)</b>                                     | <b>411</b> |

|                       | <b>IMSS</b> | <b>DBS</b> | <b>PES</b> | <b>Total</b> |
|-----------------------|-------------|------------|------------|--------------|
| <b>Segment assets</b> | 3,949       | 3,780      | 7,070      | 14,799       |

**Reconciliation to total assets:**

|                          |               |
|--------------------------|---------------|
| Investments              | 9,815         |
| Derivative instruments   | 239           |
| Other unallocable assets | 16,326        |
| <b>Total</b>             | <b>41,179</b> |

|                          | <b>IMSS</b> | <b>DBS</b> | <b>PES</b> | <b>Total</b> |
|--------------------------|-------------|------------|------------|--------------|
| <b>Segment liability</b> | 385         | 1,334      | 439        | 2,158        |

**Reconciliation to total liabilities:**

|  |               |
|--|---------------|
| Borrowings   | 6,862         |
| Series A 14% Non Cumulative compulsorily convertible preference shares | 26,322        |
| Other unallocable liabilities  | 12,596        |
| <b>Total</b>   | <b>47,938</b> |

(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.

**C. Entity-wide disclosures**

i) The amount of revenue from external customers broken down by location of customers is shown below:

India  
USA  
UK  
Others

| <b>For the year ended</b> |                       |
|---------------------------|-----------------------|
| <b>March 31, 2020</b>     | <b>March 31, 2019</b> |
| 8,334                     | 7,005                 |
| 54,128                    | 44,578                |
| 5,002                     | 4,603                 |
| 2,357                     | 1,850                 |
| <b>69,821</b>             | <b>58,036</b>         |

ii) The break-up of non-current assets by location of assets is shown below:

India  
USA  
UK  
Others

| <b>As at</b>          |                       |
|-----------------------|-----------------------|
| <b>March 31, 2020</b> | <b>March 31, 2019</b> |
| 3,788                 | 6,104                 |
| 9                     | 23                    |
| -                     | -                     |
| -                     | -                     |
| <b>3,797</b>          | <b>6,127</b>          |

Non-current assets for this purpose consists of Property, plant and equipment and intangible assets

iii) One customer individually accounted for more than 10% of the revenue from external customers during the year ended March 31, 2020 and March 31, 2019. Following is the segment wise breakup:

One customer

| <b>For the year ended</b> |                       |
|---------------------------|-----------------------|
| <b>March 31, 2020</b>     | <b>March 31, 2019</b> |
| 12.16%                    | 13.92%                |

**Note :** Assets (other than accounts receivable and unbilled Revenue) and liabilities (other than unearned revenue and provision for discount) 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.

**HAPPIEST MINDS TECHNOLOGIES PRIVATE LIMITED**  
**Notes to the Standalone Financial Statements for the year ended March 31, 2020**  
*(All amounts in INR lakhs, unless otherwise stated)*

**42 Share based payments**

**Employee Share Option Plan (ESOP)**

The Company instituted the Employee Share Option Plan 2011 (ESOP 2011) and Equity Incentive Plan 2011 (EIP 2011) 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.

Besides the above Plan, the Company has also instituted Employee Share Option Plan 2014 (ESOP 2014) duly approved by the Board of Directors on October 20, 2014 and by the shareholders on January 22, 2015. The Company has also instituted Employee Share Option Plan 2015 (ESOP 2015) duly approved by the Board of Directors on June 30, 2015 and by the shareholders on July 22, 2015. During year ended 2018 the Company has amended ESOP 2014 and all options granted under ESOP 2014 be deemed to be granted under ESOP 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 all of the 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.

The Stock option plan of the company up to March 31, 2019 is classified as cash settled transaction based on the constructive obligation for settlement of option in

**Modification of plan:**

As per the original terms of Employee share option plan (ESOP), In the event of termination of the employment with the Company for any reason other than death, the employee may be called upon by the Board, within 30 days after the date of termination, to mandatorily surrender all or any of the Shares to the Trust.

As per the modified terms of ESOP, In the event of termination of the employment with the Company for any reason other than death, the employee is allowed to retain the vested and exercised shares.

As per ESOP in case of resignation of the employee, the employee is mandatorily required to surrender all the shares exercised pursuant to ESOP to the Company. The Company in its Board meeting held in January 2019, passed a resolution modifying the terms of ESOP with effect from March 31, 2019. Pursuant to modification in ESOP the employees are allowed to retain the vested and exercised shares.

The right for cash settlement of option is removed with effect from March 31, 2019 resulting into modification in plan from Cash settled to Equity settled transaction. The modification is accounted as per below principles:

- The equity-settled share-based payment transaction is measured by reference to the fair value of the equity instruments granted at the modification date i.e. March 31, 2019.
- The liability for the cash-settled share-based payment transaction as at the modification date is derecognised on that date.
- The difference between the carrying amount of the liability derecognised and the amount of equity recognised on the modification date is recognised immediately in the statement of profit and loss.

Key features of these plans are provided in the below table:

| Key Terms                         | ESOP 2011   | ESOP 2014 / EIP 2011 for US Employees***  | ESOP 2015 / EIP 2011 for US Employees ##   |
|-----------------------------------|---|---|--|
| 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 (entitled under ESOP 2014) to Equity shares (as amended vide board meeting held on April 26, 2017 and Annual general meeting held on July 31, 2017), the Board of Directors at its meeting held on October 25, 2017 approved the administration of options granted and shares allotted under erstwhile ESOP 2014 to ESOP 2011. | 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 Parent Company.   |   |  |
| Exercise Price                    | Exercisable at an exercise price of INR 2, INR 3, INR 5 and INR 6 per option.   | Exercisable at an exercise price of INR 2 and INR 6 per option.   | Exercisable at an exercise price of INR 2, INR 6.25, INR 9.50, INR 11.50 and INR 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 Parent 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.

|                                       | March 31, 2020 | March 31, 2019 |
|---------------------------------------|----------------|----------------|
| Employee stock compensation expense   | 266            | 603            |
| Employee stock compensation liability | -              | -              |

**HAPPIEST MINDS TECHNOLOGIES PRIVATE LIMITED**  
**Notes to the Standalone Financial Statements for the year ended March 31, 2020**  
*(All amounts in INR lakhs, unless otherwise stated)*

**42 Share based payments (continued)**

**Movements during the year**

The following table illustrates the number and weighted average exercise price of share options during the year

**March 31, 2020**

| Options - India/UK Plan                       | Employee Stock Ownership Plan 2011 |       | Employee Stock Ownership Plan 2015 |       |
|---|------------------------------------|-------|------------------------------------|-------|
|   | No. of options                     | WAEP* | No. of options                     | WAEP* |
| Outstanding at the beginning of the year      | 344,636                            | 5.57  | 3,467,500                          | 23.23 |
| Granted during the year                       | -                                  | -     | 4,068,591                          | 26.00 |
| Exercised during the year                     | (59,708)                           | 4.05  | (1,633,012)                        | 25.41 |
| Forfeited during the year                     | (43,140)                           | 6.05  | (875,013)                          | 24.23 |
| Outstanding options as at the end of the year | 241,788                            | 5.86  | 5,028,066                          | 24.59 |
| Weighted Average Remaining Contractual Life   | 1.35 years                         |       | 5.91 years                         |       |

| Options - USA Plan                            | Equity Incentive Plan for US Employees-2011 |       | Equity Incentive Plan for US Employees-2011 |       |
|---|---|-------|---|-------|
|   | No. of options                              | WAEP* | No. of options                              | WAEP* |
| Outstanding at the beginning of the year      | 49,500                                      | 5.24  | 332,500                                     | 25.73 |
| Granted during the year                       | -   | -     | 400,000                                     | 26.00 |
| Exercised during the year                     | (29,500)                                    | 4.73  | (621,950)                                   | 26.00 |
| Forfeited during the year                     | -   | -     | (54,175)                                    | 26.00 |
| Outstanding options as at the end of the year | 20,000                                      | 6.00  | 56,375                                      | 24.41 |
| Weighted Average Remaining Contractual Life   | 1.80 years                                  |       | 4.91 years                                  |       |

**March 31, 2019**

| Options - India/UK Plan                       | Employee Stock Ownership Plan 2011 |       | Employee Stock Ownership Plan 2015 |       |
|---|------------------------------------|-------|------------------------------------|-------|
|   | No. of options                     | WAEP* | No. of options                     | WAEP* |
| Outstanding at the beginning of the year      | 429,835                            | 5.59  | 1,663,875                          | 16.82 |
| Granted during the year                       | -                                  | -     | 4,157,881                          | 26.00 |
| Exercised during the year                     | (14,675)                           | 5.76  | (1,545,431)                        | 25.93 |
| Forfeited during the year                     | (70,524)                           | 5.64  | (808,825)                          | 19.13 |
| 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                         |       |

| Options - USA Plan                            | Equity Incentive Plan for US Employees-2011 |       | Equity Incentive Plan for US Employees-2011 |       |
|---|---|-------|---|-------|
|   | No. of options                              | WAEP* | No. of options                              | WAEP* |
| Outstanding at the beginning of the year      | 49,500                                      | 5.24  | 197,000                                     | 23.83 |
| Granted during the year                       | -   | -     | 485,450                                     | 26.00 |
| Exercised during the year                     | -   | -     | (172,950)                                   | 25.72 |
| Forfeited during the year                     | -   | -     | (177,000)                                   | 24.36 |
| 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                                  |       |

\*Weighted Average Exercise Price

The weighted average fair value of the options granted during the year is INR 12.64

The weighted average share price during the year is INR 20.98 ( March 31, 2019 - INR 25.75)

Exercisable options as at March 31, 2020 - 493,423 Options (March 31, 2019 - 688,092 options) and weighted average exercise price - INR 13.28 (March 31, 2019 - INR 9.22)

**HAPPIEST MINDS TECHNOLOGIES PRIVATE LIMITED**  
**Notes to the Standalone Financial Statements for the year ended March 31, 2020**  
*(All amounts in INR lakhs, unless otherwise stated)*

**42 Share based payments (continued)**

The Black Scholes valuation model has been used for computing the weighted average fair value considering the following inputs:

|  | <b>March 31, 2020</b> | <b>March 31, 2019</b> |
|--|-----------------------|-----------------------|
| Expected dividend yield                  | 0.00%                 | 0.00%                 |
| Expected Annual Volatility of Shares     | 50.00%                | 50.00%                |
| Risk-free interest rate (%)              | 7.43%-6.86%           | 7.42%-7.34%           |
| Exercise price (INR)                     | 26.00                 | 26.00                 |
| Expected life of the options granted (in | 3-6 years             | 3-6 years             |

The expected life of the stock is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

On April 29, 2020 the Board of Director's of the Company approved Happiest Minds Employee Stock Option Scheme 2020 ("ESOP 2020") consisting of 7,000,000 equity shares.

*(This space is intentionally left blank)*

**HAPPIEST MINDS TECHNOLOGIES PRIVATE LIMITED****Notes to the Standalone Financial Statements for the year ended March 31, 2020***(All amounts in INR lakhs, unless otherwise stated)***43 Business acquisitions**

- A.** The Company had entered into Business Transfer agreement with OSS Cube Solutions Limited on May 29, 2017 to acquire its assets and liabilities which constitutes a business for a consideration of INR 2,130 lakhs.

The following table presents the purchase consideration, fair value of asset acquired and goodwill recognised on the date of control (i.e. May 29, 2017).

**Details of Fair value recognised on acquisition as on May 29, 2017:**

|  | <b>Amount (lakhs)</b> |
|--|-----------------------|
| Property, plant and equipment  | 31                    |
| Intangible assets (including Non-compete and customer relationships) | 277                   |
| Loans  | 26                    |
| ROU assets   | 413                   |
| Lease liabilities  | (404)                 |
| Trade receivables  | 85                    |
| Provisions   | (185)                 |
| <b>Total fair value of net assets acquired (A)</b>                   | <b>243</b>            |
| <b>Fair value of purchase consideration (B)</b>                      | <b>2,130</b>          |
| <b>Goodwill arising on acquisition (C)- (A-B)</b>                    | <b>1,887</b>          |

The goodwill of INR 1,887 lakhs comprises the value of expected synergies arising from the acquisition which is not separately recognised. Refer

**Purchase consideration**

Cash consideration

**Total purchase consideration**

| <b>Amount (lakhs)</b> |
|-----------------------|
| 2,130                 |
| <b>2,130</b>          |

- B.** The Company had entered into business transfer agreement with Cupola technologies Private Limited on May 9, 2017 to acquire its business (internet of things) on a slump sale basis for a cash consideration of INR 695 lakhs.

The following table presents the purchase consideration, fair value of asset acquired and goodwill recognised on the date of control (i.e. May 17, 2017).

**Details of Fair value recognised on acquisition as on May 17, 2017:**

|  | <b>Amount (lakhs)</b> |
|--|-----------------------|
| Intangible assets (Non-compete and customer relationships) | 84                    |
| <b>Total fair value of assets acquired (A)</b>             | <b>84</b>             |
| <b>Fair value of purchase consideration (B)</b>            | <b>695</b>            |
| <b>Goodwill arising on acquisition (C)</b>                 | <b>611</b>            |

The goodwill of INR 611 lakhs comprises the value of expected synergies arising from the acquisition which is not separately recognised. Refer note

**Purchase consideration**

Cash

**Total purchase consideration**

| <b>Amount (lakhs)</b> |
|-----------------------|
| 695                   |
| <b>695</b>            |

- C.** During the year, the Company has carried annual impairment testing for both the above acquisitions as at December 31, 2019. 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 1,126 lakhs (March 31, 2019 : INR 761 lakhs) was accounted in the statement of profit and loss during the year against goodwill accounted pursuant to acquisition of OSS Cube Solutions Limited.



#### **44 First time adoption of Ind AS**

##### **A. First time adoption**

These financial statements, for the year ended March 31, 2020, are the first financial statements, the Company has prepared in accordance with Ind AS. For periods up to and including the year ended March 31, 2019, the Company prepared its financial statements in accordance with accounting standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 ("Indian GAAP" or "Previous GAAP").

Accordingly, the Company has prepared financial statements which comply with Ind AS applicable for the year ended on March 31, 2020, together with the comparative period data as at and for the year ended March 31, 2019, as described in the summary of significant accounting policies. In preparing these financial statements, the Company's opening balance sheet was prepared as at April 01, 2018, the Company's date of transition to Ind AS. This note explains the principal adjustments made by the Company in restating its Indian GAAP financial statements, including the balance sheet as at April 01, 2018 and the financial statements as at and for the year ended March 31, 2019.

##### **B. Exemptions applied**

Ind AS - 101 allows first-time adopters certain exemptions and certain optional exemptions from the retrospective application of certain requirements under Ind AS. The Company has applied the following exemptions and optional exemptions :

###### **Deemed cost for Property, plant and equipment**

Ind AS - 101 permits a first-adopter a first time adopter to elect to continue with the carrying value for all its property, plant and equipment as recognised in the Standalone Financial Statements as at the date of the transition to Ind AS, measured as per the Previous GAAP and use that as its deemed cost as at the date of transition. This exemption can also be used for intangible assets covered by Ind AS - 38 'Intangible assets'.

Accordingly the Company has elected to measure all its property, plant and equipment and intangible assets at their previous GAAP carrying value.

###### **Investment in subsidiary**

Ind AS - 101 permits a first-time adopter to elect to measure its investments in subsidiaries at fair value of such investments at the Company's date of transition to Ind AS or previous GAAP carrying amount at the date of transition to Ind AS and use that as its deemed cost as at the date of transition.

Accordingly, the Company has elected to measure its investment in Happiest Mind Technologies LLC at its previous year carrying value as at April 1, 2018.

###### **Share based payment**

Ind AS 101 allows a first-time adopter in respect of share-based payment transactions that give rise to liabilities to not apply Ind AS - 102 to transactions that were settled before the date of transition of Ind AS. Accordingly the Company has availed this exemption and has not applied Ind AS - 102 to such transactions.

##### **C. Mandatory Exceptions**

###### **Derecognition of financial assets and financial liabilities**

Ind AS - 101 requires a first time adopter to apply the de-recognition provisions of Ind AS - 109 prospectively for transactions occurring on or after the date of transition to Ind AS. However, Ind AS - 101 allows a first time adopter to apply the de-recognition requirements in Ind AS - 109 retrospectively from a date of the Company's choice, provided that the information needed to apply Ind AS - 109 to financial assets and financial liabilities derecognised as a result of past transactions was obtained at the time of initially accounting for those transactions.

The Company has elected to apply the de-recognition provisions of Ind AS - 109 prospectively from the date of transition to Ind AS.

###### **Hedge accounting**

The Company uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks, respectively. The Company has applied guidance note on accounting for derivative contract and designated the derivative contracts as hedging instrument. All the hedges designated under Indian GAAP are of types which qualify for hedge accounting in accordance with Ind AS - 109 also. Moreover, the Company, before the date of transition to Ind AS, has designated a transaction as hedge and also meets all the conditions for hedge accounting in Ind AS - 109. Consequently, the Company continues to apply hedge accounting after the date of transition to Ind AS.

###### **Classification and measurement of financial assets**

Ind AS - 101 requires a Company to assess classification and measurement of financial assets on the basis of facts and circumstances that exist at the date of transition to Ind AS. The Company has assessed the same accordingly.

###### **Estimates**

A Company estimates in accordance with Ind AS at the date of transition to Ind AS shall be consistent with the estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is an objective evidence that those estimates were in error.

Ind AS estimates as at April 1, 2018, are consistent with the estimates as at the same date made in conformity with previous GAAP. The Company made estimates for following items in accordance with Ind AS at the date of transitions as these were not required under previous GAAP :

- Investment in mutual funds carried at Fair value through profit or loss.
- Impairment of financial assets based on expected credit loss method

*(This space is intentionally left blank)*

**D. Reconciliation of total equity between previous GAAP and Ind AS**

**1. Equity reconciliation**

|   | Notes | March 31, 2019 | April 01, 2018 |
|---|-------|----------------|----------------|
| <b>Equity as reported under previous GAAP</b>                                 |       | 20,752         | 19,189         |
| <b>Ind AS adjustments</b>   |       |                |                |
| Fair value adjustments:   |       |                |                |
| Investment in mutual funds  | a     | 773            | 132            |
| Compulsorily convertible preference share                                     | b     | (26,322)       | (25,852)       |
| Security deposits   | c     | (20)           | (15)           |
| Allowance of expected credit losses on trade receivables and unbilled revenue | d     | (650)          | (555)          |
| Leases  | e     | (415)          | (249)          |
| Impact of restatement of past business combination                            | f     | (650)          | (426)          |
| Consolidation of ESOP trust   | g     | (94)           | (163)          |
| Employees stock option expense  | h     | (132)          | (1,984)        |
| <b>Equity as per Ind AS</b>   |       | <b>(6,758)</b> | <b>(9,923)</b> |

**2. Total comprehensive income reconciliation for the year ended March 31, 2019**

|   | Notes | Year ended<br>March 31, 2019 |
|---|-------|------------------------------|
| <b>Profit after tax as per previous GAAP</b>                                  |       | 1,286                        |
| <b>Ind AS adjustments</b>   |       |                              |
| Fair value adjustments:   |       |                              |
| Investment in mutual funds  | a     | 641                          |
| Compulsorily convertible preference share                                     | b     | (470)                        |
| Security deposits   | c     | (5)                          |
| Allowance of expected credit losses on trade receivables and unbilled revenue | d     | (95)                         |
| Leases  | e     | (166)                        |
| Impact of restatement of past business combination                            | f     | (224)                        |
| Consolidation of ESOP trust   | g     | (2)                          |
| Employees stock option expense  | h     | (599)                        |
| Remeasurement of employee benefit obligation                                  | i     | 45                           |
| <b>Net Profit after tax as per Ind AS</b>                                     |       | <b>411</b>                   |
| Other comprehensive income (net of tax)                                       | j     | 207                          |
| <b>Total comprehensive income as per Ind AS</b>                               |       | <b>618</b>                   |

**3. Cash flow reconciliation for the year ended March 31, 2019**

|  | As per previous<br>GAAP | Ind AS<br>adjustments | As per Ind AS |
|--|-------------------------|-----------------------|---------------|
| Net cash flows from operating activities   | 3,751                   | 2,092                 | 5,843         |
| Net cash flows used in investing activities  | (332)                   | 281                   | (51)          |
| Net cash flows from financing activities   | (2,496)                 | (3,338)               | (5,834)       |
| Effect of exchange differences on cash and cash equivalents held in foreign currency | 125                     | -                     | 125           |
| Cash and cash equivalents at the beginning of the year                               | 1,493                   | 29                    | 1,522         |
| <b>Cash and cash equivalents at the end of the year</b>                              | <b>2,541</b>            | <b>(936)</b>          | <b>1,605</b>  |

*(This space is intentionally left blank)*

**44 Adoption of Ind AS (continued)**

**E Notes to reconciliations between previous GAAP and Ind AS**

**a) Fair value of investment**

Under previous GAAP, the Company were carrying their current investment at the lower of carrying amount and face value. Under Ind AS, these investments are required to be measured at fair value. The resulting change in fair value is recognised in retained earnings at the date of transition i.e. April 01, 2018 and subsequently in the statement of profit and loss. The company has recorded a fair market value adjustment of INR 132 lakhs to retained earnings as at April 1 2018, and increased value of investment for INR 132 lakhs. In the year March 31, 2019 the company has accounted other income of INR 773 lakhs on account of increase in fair value of investment and increased investment by INR. 773 lakhs.

**b) Compulsorily convertible preference share**

Under the previous GAAP, compulsorily convertible preference shares (CCPS) issued to the investors were classified as equity and carried at transaction value.

The company had issued compulsorily convertible preference shares to the investors. The terms of the instrument provided the holder an option to convert the instrument and also a right to put back the instrument to the Company on the event the Company is not able to conduct a successful qualified IPO within 7 years from the date of issue. On such occurrence, the Company will be obliged to buyback CCPS at a price equal the fair value of equity shares. Since the conduct of successful qualified IPO is not within the control the Company, the Company doesn't have an unconditional right to avoid settlement. Thus, these instruments are in the nature of hybrid instrument with embedded derivative in the form of settlement option and host non-derivative liability. On transition, this instrument is recorded at its fair value and difference between its fair value and the carrying amount as per previous GAAP is recognised in the retained earnings. On the transition date the Company has reclassified 290,272 CCPS from equity to liability. Pursuant to such reclass the Company has transferred INR. 1,893 lakhs from paid up share capital and INR 14,513 lakhs from security premium to financial liability. Further on fair valuation of CCPS INR 9,446 lakhs is adjusted with retained earnings towards increase in fair value of CCPS. During March 31, 2019 the Company has adjusted INR. 470 lakhs is adjusted with retained earnings towards increase in fair value of CCPS.

**c) Security deposits**

Under previous GAAP, interest free security deposits are recognised at their transaction value. Under Ind AS - 109, these deposits are initially recognised at fair value and subsequently measured at amortised cost at the end of each reporting period. Accordingly, the difference between transaction value and fair value of these deposits is recognised as Right-of-use assets and is amortised over the period of the lease term. Further, interest is accrued on the present value of these security deposits. On transition date the Company has adjusted retained earnings towards fair value of security deposits by INR 15 lakhs and During the year March 31, 2019 the Company has further adjusted INR 5 lakhs to retained earnings towards increase in fair value of security deposit.

**d) Allowance of expected credit losses on trade receivables and unbilled revenue**

Under previous GAAP, the Company has created provision for impairment of receivables and unbilled revenue based on the incurred loss model. Under Ind AS, impairment loss has been determined as per Expected credit loss (ECL) model. The difference between the provision amount as per previous GAAP and Ind AS - ECL is recognised as retained earnings on date of transition and subsequently in the statement of profit and loss account. On transition date the Company has adjusted retained earnings for expected credit loss of INR 555 lakhs and During the year March 31, 2019 the Company has further adjusted INR 95 lakhs to retained earnings towards additional allowance of ECL.

**e) Lease**

Under previous GAAP, lessee classified a lease as an operating or a finance lease based on whether or not the lease transferred substantially all risk and rewards incidental to the ownership of an asset. Operating lease were expensed in the statement of profit and loss. Pursuant to application of Ind AS - 116, for operating leases other than those for which the Company has opted for short-term or low value exemption, the Company has recorded a right-of-use assets and lease liabilities. Right-of-use asset is amortised over the lease term or useful life of the leased assets whichever is lower and lease liabilities is subsequently measured at amortised cost and interest expense is recognised. The lease equalisation reserve appearing in the books pursuant to straight-lining of rent was reversed through retained earnings on transition to Ind AS. On adoption of Ind AS - 116, on transition date the Company has adjusted INR 249 lakhs against retained earnings and during the year ended March 31, 2019 the Company has recognised INR 166 lakhs against retained earnings

The company has measured the right-of-use asset at the date of transition at its carrying amount as if Ind AS - 116 had been applied since the commencement date of the lease and the lease liability is measured at present value of the remaining lease payments as at the date of transition .

**f) Restatement of past business combination**

Under previous GAAP, the Company had treated the acquisition of business of Cupola technology Private Limited and OSS cube solutions limited as an amalgamation in the nature of purchase and accounted the difference between the consideration paid and book value of assets acquired as goodwill. Under Ind AS - 103, Company restated its past business combination and has accounted the acquisition using acquisition method and accounted difference between the acquisition date fair value of consideration paid and acquisition date fair value of identifiable assets and liabilities acquired as goodwill. The fair value of contingent consideration treated as a part of purchase consideration under previous GAAP is treated as a post combination expense under Ind AS and expensed out in the statement of profit and loss.

On the date of transition following adjustment were made against retained earnings :

1. INR 83 lakhs has been adjusted on account of amortisation of Intangible assets (customer relationship and non compete fees).
2. INR 300 lakhs has been adjusted on account of contingent consideration payable
3. INR 43 lakhs has been adjusted on account of other business combination adjustments.

As at ended March 31, 2019 following adjustments were made against retained earnings :

1. INR 182 lakhs has been adjusted on account of amortisation of Intangible assets (customer relationship and non compete fees).
2. INR 600 lakhs has been adjusted on account of contingent consideration payable
3. (INR 132) lakhs has been adjusted on account of other business combination adjustments

**g) Consolidation of ESOP trust**

Under the previous GAAP, the employee stock option trust was not included in the Standalone Financial Statement of the sponsoring Company. Under Ind AS, ESOP trust is treated as an extended Company and included in the Standalone Financial Statement of the sponsoring Company. The investment in company held by the trust is adjusted against share capital and security premium on consolidation of trust and shown as a treasury shares in the Company's financial statement. On the transition date the Company has consolidated shares held by trust, On consolidation the Company has adjusted treasury shares held by trust of INR 163 lakhs. As at March 31, 2019 treasury shares are adjusted for INR 94 lakhs.

**h) Employee stock option expense**

Under the previous GAAP, the Company had treated the employee stock option plan (ESOP) as an equity settled option. On transition to Ind AS, such ESOP is treated as a cash settled plan on account of constructive obligation created by the trust's practise of repurchasing the shares on termination of employment. The outstanding options are fair valued at each reporting date till the options are settled and recorded as an expense in the statement of profit and loss. In respect of shares held by the live employees, the exercise price paid by the employees lying in the equity is reclassified to employee stock option liability. On transition date, the Company has adjusted INR 1,984 on account of cash settled ESOP to equity share capital and security premium. During the year ended March 31, 2019 INR 132 lakhs has been adjusted towards equity share capital and security premium.

**44 Adoption of Ind AS (continued)**

**E Notes to reconciliations between previous GAAP and Ind AS (continued)**

**i) Remeasurement of defined benefit obligation**

Under previous GAAP, actuarial gains and losses were recognised in the statement of profit and loss. Under Ind AS, the actuarial gains and losses form part of remeasurement of net defined benefit liability which is recognised in other comprehensive income in the respective periods.

**j) Other Comprehensive Income**

Under previous GAAP, the exchange difference on translating the financial statement of foreign operations, The net movement in effective portion of cash flow hedge and remeasurement on defined benefit plan were recognised in statement of Profit and Loss. On transition, these are reclassified to other comprehensive income.

**k) Retained earnings**

Retained earnings as at April 01, 2018 has been adjusted consequent to above Ind AS adjustments.


**F) Material regrouping**

Appropriate adjustments have been made in these financial statements, wherever required, by reclassification of the corresponding items of income, expenses, assets and liabilities, in order to bring them in line with the requirements of the Ind AS.

**45** The comparatives given in the financial statements have been compiled after making necessary Ind AS adjustments to the respective audited financial statements under Previous GAAP to give a true and fair view in accordance with Ind AS.

**46** There were no subsequent events after the reporting date which requires disclosure or adjustment to the reported amounts.


As per our report of even date  
for **S.R. Batliboi & Associates LLP**  
Chartered Accountants  
ICAI Firm's Registration Number : 101049W/E300004

  
per Sumit Mehra  
Partner  
Membership no.: 096547


Place: Bengaluru, India  
Date: May 13, 2020



for and on behalf of the Board of Directors:  
**Happiest Minds Technologies Private Limited**  
CIN : U72900KA2011PTC057931

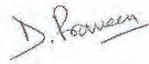
  
Ashok Soota  
Executive Chairman  
DIN : 00145962

Place: Bengaluru, India  
Date: May 13, 2020

  
Venkatraman Narayanan  
Director & Chief Financial Officer  
DIN : 01856347

Place: Bengaluru, India  
Date: May 13, 2020



  
Praveen Darashankar  
Company Secretary  
FCS No.: F6706

Place: Bengaluru, India  
Date: May 13, 2020