VIRSTRA I-TECHNOLOGY SERVICES LIMITED
BALANCE SHEET AS AT 31 MARCH 2020

Particulars	Notes Ref.	As at 31 March 2020	As at 31 March 2019
		(Rupees)	(Rupees)
ASSETS			
Non-current assets			
Property, plant and equipment	2.1	1,680,520	897,754
Intangible assets	2.1	16,977	51,156
Right of use assets	2.2	13,343,614	-
Financial assets			
Other financial assets	2.3	4,278,638	5,103,725
Deferred tax asset	2.4	14,807,723	17,097,688
Income tax asset	2.5	1,652,943	1,627,423
Other non-current assets	2.6	397,274	413,885
		36,177,689	**25,191,631**
Current Assets			
Financial assets			
Investments	2.7	112,250,648	84,356,828
Trade receivables	2.8	9,186,711	16,737,195
Cash and cash equivalents	2.9	10,408,938	3,354,015
Other bank balances	2.10	-	448,702
Loans	2.11	1,458,129	2,407,949
Other financial assets	2.12	2,594,624	1,543,033
Other current assets	2.13	5,018,688	4,002,725
		140,917,738	**112,850,447**
Total Assets		**177,095,427**	**138,042,078**
EQUITY & LIABILITIES			
EQUITY			
Equity Share capital	2.14	10,000,000	10,000,000
Other equity	2.15	133,174,394	111,866,831
		143,174,394	**121,866,831**
LIABILITIES			
Non-current liabilities			
Financial liabilities			
Lease liabilities	2.2	7,282,925	-
Provisions	2.16	3,273,035	3,850,179
		10,555,960	**3,850,179**
Current liabilities			
Financial liabilities			
Trade payables	2.17	5,692,870	6,504,958
Lease liabilities	2.2	5,654,819	-
Other financial liabilities	2.18	5,146,228	514,059
Provisions	2.19	905,308	938,084
Other current liabilities	2.20	3,293,403	4,367,967
Income tax liabilities	2.21	2,672,445	-
		23,365,073	**12,325,068**
TOTAL EQUITY AND LIABILITIES		**177,095,427**	**138,042,078**

See accompanying notes forming part of the financial statements — 1 & 2

In terms of our report attached

For **B S R & ASSOCIATES LLP**
Chartered Accountants
Firm Registration Number : 116231W/W-100024

For and on behalf of the Board of Directors
VIRSTRA I-TECHNOLOGY SERVICES LIMITED

Sd/-
ASHWIN BAKSHI
Partner
Membership number : 506777
UDIN:20506777AAAABA4120

Sd/-
VISHNU R DUSAD
Director

Sd/-
RAVI PRATAP SINGH
Director

Place : New Delhi
Date : 22 May 2020

Place : Noida
Date : 22 May 2020

VIRSTRA I-TECHNOLOGY SERVICES LIMITED
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2020

		Notes Ref.	Year ended 31 March 2020	Year ended 31 March 2019
			(Rupees)	(Rupees)
1.	**REVENUE FROM OPERATIONS**			
	Income from software services	2.22	117,475,124	134,277,107
2.	**OTHER INCOME**	2.23	9,142,200	6,938,335
3.	**TOTAL REVENUE (1+2)**		**126,617,324**	**141,215,442**
4.	**EXPENSES**			
	Employee benefits expense	2.24	74,731,638	81,062,606
	Operating and other expenses	2.25	14,568,912	20,067,285
	Finance cost/Bank charges	2.26	1,375,777	280,844
	Depreciation and amortisation expense	2.1 and 2.2	6,736,012	396,363
	TOTAL EXPENSES		**97,412,339**	**101,807,098**
5.	**PROFIT BEFORE TAX (3-4)**		**29,204,985**	**39,408,344**
6.	**TAX EXPENSE**			
	Current tax expense		4,353,153	9,586,794
	Deferred tax (credit) / charge	2.4	2,638,921	886,036
	NET TAX EXPENSE		**6,992,074**	**10,472,830**
7.	**PROFIT FOR THE PERIOD (5-6)**		**22,212,911**	**28,935,514**
8.	**OTHER COMPREHENSIVE INCOME**			
(A) (i)	Items that will not be reclassified to profit or loss			
	Gain/ (loss) remeasurements of the defined benefit plans		288,700	(179,884)
	Tax relating to Items that will not be reclassified to profit or loss		(80,316)	132,378
(B) (i)	Items that will be reclassified subsequently to profit or loss			
	Effective portion of gain/ (loss) on hedging instruments of effective cash flow hedges(net of tax)		(1,543,004)	1,510,663
	Tax relating to Items that will be reclassified subsequently to profit or loss		429,272	(420,266)
	TOTAL OTHER COMPREHENSIVE INCOME		**(905,348)**	**1,042,891**
9.	**TOTAL COMPREHENSIVE INCOME (7+8)**		**21,307,563**	**29,978,405**
10.	**EARNINGS PER EQUITY SHARE**	2.27		
	Equity shares of Rupees 10 each			
	a. Basic		22.21	28.94
	b. Diluted		22.21	28.94
	Number of shares used in computing earnings per share			
	a. Basic		1,000,000	1,000,000
	b. Diluted		1,000,000	1,000,000
	See accompanying notes forming part of the financial statements	1 & 2		

In terms of our report attached

For B S R & ASSOCIATES LLP
Chartered Accountants
Firm Registration Number : 116231W/W-100024

For and on behalf of the Board of Directors
VIRSTRA I-TECHNOLOGY SERVICES LIMITED

Sd/-

ASHWIN BAKSHI
Partner
Membership number : 506777
UDIN:20506777AAAABA4120

Sd/-

VISHNU R DUSAD
Director

Sd/-

RAVI PRATAP SINGH
Director

Place : New Delhi
Date : 22 May 2020

Place : Noida
Date : 22 May 2020

VIRSTRA I-TECHNOLOGY SERVICES LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020

A. Equity Share Capital

(Amount in Rupees)

Balance as of 1 April 2019	Changes in equity share capital during the year	Balance as on 31 March 2020
10,000,000	-	10,000,000

Balance as of 1 April 2018	Changes in equity share capital during the year	Balance as on 31 March 2019
10,000,000	-	10,000,000

(Amount in Rupees)

B. Other Equity

	Reserves and Surplus		Items of OCI	Total
	General reserve	Retained earnings	Hedging reserve	
Balance as of 1 April 2019	**66,067,678**	**44,685,421**	**1,113,732**	**111,866,831**
Profit for the year	-	22,212,911	-	22,212,911
Interim dividend on equity shares	-	-	-	-
Corporate dividend tax	-	-	-	-
Effective gain/(loss) on hedging instruments	-	-	(1,113,732)	(1,113,732)
Gain/ (loss) on remeasurements of the defined benefit plans		208,384		208,384
Balance as of 31 March 2020	**66,067,678**	**67,106,716**	**-**	**133,174,394**

(Amount in Rupees)

	Reserves and Surplus		Items of OCI	Total
	General reserve	Retained earnings	Hedging reserve	
Balance as of 1 April 2018	66,067,678	64,019,533	23,335	130,110,546
Profit for the year	-	28,935,514	-	28,935,514
Interim dividend on equity shares	-	(40,000,000)	-	(40,000,000)
Corporate dividend tax	-	(8,222,120)	-	(8,222,120)
Effective gain on hedging instruments	-	-	1,090,397	1,090,397
Gain/ (loss) on remeasurements of the defined benefit plans	-	(47,506)	-	(47,506)
Balance as of 31 March 2019	**66,067,678**	**44,685,421**	**1,113,732**	**111,866,831**

See accompanying notes forming part of the financial statements

In terms of our report attached

For **B S R & ASSOCIATES LLP**
Chartered Accountants
Firm Registration Number : 116231W/W-100024

Sd/-

ASHWIN BAKSHI
Partner
Membership number : 506777
UDIN:20506777AAAABA4120

Place : New Delhi
Date : 22 May 2020

For and on behalf of the Board of Directors
VIRSTRA I-TECHNOLOGY SERVICES LIMITED

Sd/-

VISHNU R DUSAD
Director

Sd/-

RAVI PRATAP SINGH
Director

Place : Noida
Date : 22 May 2020

VIRSTRA I-TECHNOLOGY SERVICES LIMITED
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020

	Notes Ref.	Year ended 31 March 2020 (Rupees)	Year ended 31 March 2019 (Rupees)
A. Cash flow from operating activities			
Net profit before tax		29,204,985	39,408,344
Adjustment for:			
Depreciation and amortisation expense		6,736,012	396,363
Unrealised exchange (gain) / loss on translation of foreign currency accounts (net)		(1,548,274)	(83,112)
Dividend received from non trade investments		(3,941,466)	(3,615,724)
Profit on sale of property, plant and equipment		(16,525)	(25,763)
MTM gain or (loss) on mutual funds		(1,220,491)	(76,580)
Provision for Doubtful assets		(297,146)	297,146
Interest income on fixed deposits with banks		(7,297)	(24,110)
Discount on security deposit		(379,763)	(31,048)
Interest on lease liability		1,182,232	-
Operating profit before working capital changes		29,712,267	36,245,516
Adjustment for (increase)/decrease in operating assets			
Trade receivable		8,358,962	(1,740,447)
Other financial assets		(2,475,382)	(1,332,774)
Loans		949,820	-
Other assets		(480,244)	(124,463)
Adjustment for Increase/ (decrease) in operating liabilities			
Provisions		(609,920)	75,587
Trade payables		(837,183)	(341,976)
Other financial liabilities		4,632,169	514,059
Other liabilities		(1,074,564)	(1,848,058)
		38,175,925	31,447,444
Income tax paid (net)		(1,706,228)	(7,933,115)
Net cash flow from operating activities (A)		**36,469,697**	**23,514,329**
B. Cash flow from investing activities			
Purchase of plant, property and equipment		(1,262,751)	(573,278)
Proceeds from sale of plant, property and equipment		16,525	25,763
Net (purchase)/sale of mutual funds		(22,731,863)	24,970,164
Bank deposits (net) and other bank balances not considered as cash and cash equivalents		431,032	(448,702)
Interest received from Fixed Deposits		24,968	24,110
Net cash flow (used)/ from investing activities (B)		**(23,522,089)**	**23,998,057**
C. Cash flow from financing activities			
Principal repayment of lease liabilities		(5,356,132)	-
Interest paid on lease liabilities		(1,182,200)	-
Interim dividend paid		-	(40,000,000)
Corporate dividend tax paid		-	(8,222,120)
Net cash flow used in financing activities (C)		**(6,538,332)**	**(48,222,120)**
Net (decrease) / increase in cash and cash equivalents (A+B+C)		**6,409,276**	**(709,735)**
Cash and cash equivalents at the beginning of the year	2.9	3,354,015	3,655,031
Exchange difference on translation of foreign currency bank accounts		645,647	408,718
Cash and cash equivalents at the end of the year	2.9	**10,408,938**	**3,354,015**

See accompanying notes forming part of the financial statements 1 & 2

In terms of our report attached

For **B S R & ASSOCIATES LLP**
Chartered Accountants
Firm Registration Number : 116231W/W-100024

For and on behalf of the Board of Directors
VIRSTRA I-TECHNOLOGY SERVICES LIMITED

Sd/-
ASHWIN BAKSHI
Partner
Membership number : 506777
UDIN:20506777AAAABA4120

Sd/-
VISHNU R DUSAD
Director

Sd/-
RAVI PRATAP SINGH
Director

Place : New Delhi
Date : 22 May 2020

Place : Noida
Date : 22 May 2020

Note 1:

1.1 Company Overview

Virstra *i*-Technology Services Limited ('Virstra' or 'the Company') was incorporated in May 2004 in India. Virstra is a wholly owned subsidiary company of Nucleus Software Exports Ltd. The Company's business primarily consists of offshore and onsite software support services to other group companies.

1.2. Significant accounting policies

i. Basis of preparation of financial statements

a) Statement of compliance

The financial statements of the Company have been prepared in accordance with the Indian Accounting Standards (Ind AS) as prescribed under section 133 of the Companies Act, 2013 read with Companies (Indian Accounting Standards) Rules as amended from time to time.

The Financial statements were approved for issue by the Board of Directors on 22 May 2020.

b) Functional and Presentation currency

The financial statements are presented in Indian Rupees (Rupees), which is also the Company`s functional currency.

c) Basis of measurement

The financial statements have been prepared on the historical basis except for the following items:

Items	Measurement Basis
Certain financial assets and liabilities (including derivative instruments)	Fair Value
Net defined benefit(asset)/liability	Fair value of plan assets less present value of defined benefit obligations

d) Use of estimates and judgements

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual result may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Judgments

Information about judgments made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Lease classification – Note 2.2

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the subsequent period financial statements is included in the following notes:

- Estimation of deferred tax– Note 2.4
- Estimated useful life of property, plant and equipment and intangibles – Note 1.2 (iv) and (v)
- Estimation of defined benefit obligation- Note 2.6

e) Measurement of fair values

The Company`s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. This includes a treasury team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer.

The treasury team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of Ind AS, including the level in the fair value hierarchy in which the valuations should be classified.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

ii. Revenue Recognition

Revenue from software services comprises income from time and material contracts, which is recognised as the services are rendered.

iii. Other income

Profit on sale of investments is determined as the difference between the sales price and the carrying value of the investment upon disposal of investments.

Dividend income is recognised in profit or loss on the date on which the Company`s right to receive payment is established.

Interest income or expense is recognised using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset ; or
- the amortised cost of the financial liability

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit- impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

iv. Property, Plant and equipment

Property, Plant and equipment are carried at cost less accumulated depreciation and impairment losses, if any. Cost of an item of property, plant and equipment includes its purchase price, any directly attributable expenditure on making the asset ready for its intended use. Property, plant and equipment under construction and cost of assets not ready to use before the year end, are disclosed as capital work-in-progress.

Depreciation on property, Plant and equipment is provided on the straight-line method based on useful lives of respective assets as estimated by the management taking into account nature of the asset, the estimated usage of the asset and the operating conditions of the asset. Depreciation is charged on a pro-rata basis for assets purchased / sold during the year.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow the Company.

The management's estimates of the useful lives of the various property, plant and equipment are as follows:

Asset category	Management estimate of useful life (in years)	Useful life as per Schedule II(in years)
Tangible asset		
Plant and machinery (including office equipment)*	5	15
Computers- end user devices such laptops, desktops etc.	3	3
Computers- servers and networking equipment*	4	6
Furniture and fixtures*	5	10

*Based on technical evaluation, the useful lives as given above represent the period over which the management believes to use these assets; hence these lives are different from the useful lives prescribed under Part C of schedule II of the Companies Act, 2013.

v. Intangible assets

Intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. The cost of an intangible asset comprises its purchase price, including any import duties and other taxes (other than those subsequently recoverable from the tax authorities), and any directly attributable expenditure on making the asset ready for its intended use and net of any trade discounts and rebates.

Subsequent expenditure on an intangible asset after its purchase / completion is recognised as an expense when incurred unless it is probable that such expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standards of performance and such expenditure can be measured and attributed to the asset reliably, in which case such expenditure is added to the cost of the asset.

The management's estimates of the useful lives of the Software are 3 years.

vi. Financial instruments

a) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provision of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

b) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at

- amortised cost;
- Fair value through other comprehensive income (FVOCI)-equity investment; or
- FVTPL

Financial asset are not reclassified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely for payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment`s fair value in OCI (designated as FVOCI-equity investment). This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivatives financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirement to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

− contingent events that would change the amount or timing of cash flows;
− terms that may adjust the contractual coupon rate, including variable interest rate features;
− prepayment and extension features; and
− terms that limit the Company's claim to cash flows from specified assets (e.g. non- recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets: Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. However, see Note 1.2(vi) (e) for derivatives designated as hedging instruments.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are not reclassified to profit or loss.

Financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held- for- trading, or it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

c) Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

If the Company enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognized

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

The Company also derecognises a financial liability when its terms are modified and the cash flows under the modified terms are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

d) Offsetting

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

e) Derivative financial instruments and hedge accounting

The company holds derivative financial instruments such as foreign exchange forward contracts to mitigate the risk of changes in exchange rates on foreign currency exposures. The counterparty for these contracts is generally a bank. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Company designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates.

At inception of designated hedging relationships, the Company documents the risk management objective and strategy for undertaking the hedge. The Company also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in OCI and accumulated in the other equity under 'effective portion of cash flow hedges'. The effective portion of changes in the fair value of the derivative that is recognized in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

The Company designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ('forward points') is separately accounted for as a cost of hedging and recognised separately within equity.

The amount accumulated in other equity is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If a hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in other equity remains there until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in other equity are immediately reclassified to profit or loss.

vii. Impairment

a) Impairment of financial instruments

The Company recognises loss allowances for expected credit losses on:

- financial assets measured at amortised cost;

At each reporting date, the Company assesses whether financial assets carried at amortised cost A financial asset is 'credit- impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The Company measures loss allowances at an amount equal to lifetime expected credit losses, except for the following, which are measured as 12 month expected credit losses:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit losses.

12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward- looking information.

Measurement of expected credit losses
Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

Presentation of allowance for expected credit losses in the balance sheet
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off
The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

b) Impairment of non-financial assets

The Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets that do not generate independent cash inflows are grouped together into cash-generating units (CGUs). Each CGU represents the smallest group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of a CGU (or an individual asset) is the higher of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 CGU (or the asset).

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of profit and loss. Impairment loss recognised in respect of a CGU is allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets of the CGU (or group of CGUs) on a pro rata basis.

viii. Provisions (other than for employee benefits)

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows (representing the best estimate of the expenditure required to settle the present obligation at the balance sheet date) at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost. Expected future operating losses are not provided for.

Onerous contracts

A contract is considered to be onerous when the expected economic benefits to be derived by the Company from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision for an onerous contract is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before such a provision is made, the Company recognises any impairment loss on the assets associated with that contract.

ix. Foreign Currency

Foreign currency transactions

Transactions in foreign currencies are translated at the exchange rates at the dates of the transactions or an average rate if the average rate approximates the actual rate at the date of the transaction.

Foreign currency denominated monetary assets and liabilities are retranslated at the exchange rate prevailing on the balance sheet date and exchange gain and losses arising on settlement and restatement are recognised in the statement of profit and loss. Non- monetary assets and liabilities that are measured in terms of historical cost in foreign currencies are not retranslated.

Exchange differences are recognised in profit or loss, except exchange differences arising from the translation of the following items which are recognised in OCI:

- qualifying cash flow hedges to the extent that the hedges are effective.

x. Earnings per share

Basic earnings per share is computed using the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed using the weighted average number of equity and dilutive equity equivalent shares outstanding during the year-end, except where the results would be anti-dilutive.

xi. Taxation

Income tax comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination or to an item recognised directly in equity or in other comprehensive income**.**

a) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax reflects the best estimate of the tax amount expected to be paid or received after considering the uncertainty, if any, related to income taxes. It is measured using tax rates (and tax laws) enacted or substantively enacted by the reporting date. Current tax assets and current tax liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the asset and settle the liability on a net basis or simultaneously.

b) Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes.

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which they can be used. The existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore, in case of a history of recent losses, the Company recognizes a deferred tax asset only to the extent that it has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which such deferred tax asset can be realized. Deferred tax assets – unrecognized or recognized, are reviewed at each reporting date and are recognized/ reduced to the extent that it is probable/ no longer probable respectively that the related tax benefit will be realized.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be real.

Minimum Alternative Tax (‘MAT’) expense under the provisions of the Income-tax Act, 1961 is recognised as an asset when it is probable that future economic benefit associated with it in the form of adjustment of future income tax liability, will flow to the Company and the asset can be measured reliably. MAT credit entitlement is set off to the extent allowed in the year in which the Company becomes liable to pay income taxes at the enacted tax rates. MAT credit entitlement is reviewed at each reporting date and is written down to reflect the amount that is reasonably certain to be set off in future years against the future income tax liability. MAT Credit Entitlement has been presented as Deferred Tax in Balance Sheet.

xii. Employee benefits

Defined contribution plans

The Company's contribution to provident fund is considered as defined contribution plans and is charged as an expense as they fall due based on the amount of contribution required to be made.

Defined benefit plans

For defined benefit plans in the form of gratuity fund, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each year end. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan (‘the asset ceiling’). In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized in OCI. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

The retirement benefit obligation recognized in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, as reduced by the fair value of scheme assets.

Other Long-term employee benefits

The employees can carry-forward a portion of the unutilised accrued compensated absences and utilise it in future service periods or receive cash compensation during or on termination of employment. Since the compensated absences do not fall due wholly within twelve months after the end of the period in which the employees render the related service and are also not expected to be utilized wholly within twelve months after the end of such period, the benefit is classified as Other Long-Term Employee Benefit. Liability with respect to the Compensated absences is determined based on an actuarial valuation done by an independent actuary at the year end. Actuarial gains and losses are recognised in the Statement of Profit and Loss account.

xiii. Cash Flow Statement

Cash flows are reported using the indirect method, whereby profit for the period is adjusted for the effects of transactions of a non –cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

xiv. Operating leases

The Company evaluates if an arrangement qualifies to be a lease as per the requirements of Ind AS 116. Identification of a lease requires significant judgment. The Company uses significant judgement in assessing the lease term (including anticipated renewals) and the applicable discount rate.

The Company determines the lease term as the non-cancellable period of a lease, together with both periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option. In assessing whether the Company is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, it considers all relevant facts and circumstances that create an economic incentive for the Company to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The Company revises the lease term if there is a change in the non-cancellable period of a lease.
The discount rate is generally based on the incremental borrowing rate specific to the lease being evaluated or for a portfolio of leases with similar characteristics.

Company as a lessee

The Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract and allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Company recognises right-of-use asset representing its right to use the underlying asset for the lease term at the lease commencement date. The cost of the right-of-use asset measured at inception shall comprise of the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date less any lease incentives received, plus any initial direct costs incurred and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset or restoring the underlying asset or site on which it is located. The right-of-use assets is subsequently measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any measurement of the lease liability. The right-of-use assets is depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Right-of-use assets are tested for impairment whenever there is any indication that their carrying amounts may not be recoverable. Impairment loss, if any, is recognised in the standalone interim statement of profit and loss.

The Company measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses incremental borrowing rate. For leases with reasonably similar characteristics, the Company, on a lease by lease basis, may adopt either the incremental borrowing rate specific to the lease or the incremental borrowing rate for the portfolio as a whole. The lease payments shall include fixed payments, variable lease payments, residual value guarantees, exercise price of a purchase option where the Company is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease. The lease liability is subsequently remeasured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.
The Company recognises the amount of the re-measurement of lease liability as an adjustment to the right-of-use asset. Where the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company recognises any remaining amount of the re-measurement in statement of standalone interim profit and loss.

The Company has elected not to apply the requirements of Ind AS 116 to short-term leases of all assets that have a lease term of 12 months or less and leases for which the underlying asset is of low value. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

xv. Operating cycle

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

VIRSTRA I-TECHNOLOGY SERVICES LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

2.1 Property, plant and equipment and Intangible assets

(Amount in Rupees)

PARTICULARS	GROSS CARRYING AMOUNT				ACCUMULATED DEPRECIATION				NET CARRYING AMOUNT	
	As at 1 April 2019	**Additions**	**Deductions / adjustments**	**As at 31 March 2020**	**As at 1 April 2019**	**Depreciation for the year**	**Deductions / adjustments**	**As at 31 March 2020**	**As at 31 March 2020**	**As at 31 March 2019**
Tangible assets										
- Computers	1,527,292	1,262,751	-	2,790,043	862,088	393,505	-	1,255,593	1,534,450	665,204
	(1,104,721)	(422,571)	-	(1,527,292)	(590,087)	(272,001)	-	(862,088)	(665,204)	(514,634)
- Office equipment	407,247	-	-	407,247	174,697	86,480	-	261,177	146,070	232,550
	(262,627)	(144,620)	-	(407,247)	(97,265)	(77,432)	-	(174,697)	(232,550)	(165,362)
	1,934,539	**1,262,751**	**-**	**3,197,290**	**1,036,785**	**479,985**	**-**	**1,516,770**	**1,680,520**	**897,754**
	(1,367,348)	(567,191)	-	(1,934,539)	**(687,352)**	(349,433)	-	(1,036,785)	(897,754)	(679,996)
Intangible assets										
- Softwares	**1,089,778**	**-**	**-**	**1,089,778**	**1,038,622**	**34,179**	**-**	**1,072,801**	**16,977**	**51,156**
	(1,083,691)	(6,087)	-	(1,089,778)	(991,692)	(46,930)	-	(1,038,622)	(51,156)	(91,999)
Total	**3,024,317**	**1,262,751**	**-**	**4,287,068**	**2,075,407**	**514,164**	**-**	**2,589,571**	**1,697,497**	**948,910**
	(2,451,039)	(573,278)	-	(3,024,317)	(1,679,044)	(396,364)	-	(2,075,407)	(948,910)	(771,995)

Note:

(i) Figures in brackets pertain to the relevant previous year.

2.2 Transition to Ind AS 116

The Ministry of Corporate Affairs ("MCA") through the Companies (Indian Accounting Standards) Amendment Rules, 2019 and Companies (Indian Accounting Standards) Second Amendment Rules, has notified Ind AS 116 Leases which replaces the existing lease standard, Ind AS 17 leases, and other interpretations. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. It introduces a single, on-balance sheet lease accounting model for lessees.

For transition, the Company has used the practical expedient provided by the standard when applying Ind AS 116 to leases previously classified as operating leases under Ind AS 17. It has therefore, not reassessed whether a contract, is or contains a lease, at the date of initial application; relied on its assessment of whether leases are onerous, applying Ind AS 37 immediately before the date of initial application as an alternative to performing an impairment review; excluded initial direct costs from measuring the right of use asset at the date of initial application and used hindsight when determining the lease term if the contract contains options to extend or terminate the lease. The Company has used a single discount rate to a portfolio of leases with similar characteristics.

The Company has adopted Ind AS 116 , effective period beginning 1 April 2019 and applied the standard to its leases, retrospectively, using the modified retrospective approach. Accordingly, the Company has not restated comparative information.

This has resulted in recognizing a right of use asset and corresponding lease liability of Rs. 1,021,988 as at 1 April 2019. The nature of expenses in respect of operating leases has changed from lease rent in the previous periods to depreciation cost for the right of use asset and finance cost for the interest accrued on lease liability. The principle portion of the lease payments have been disclosed under cash flow from financing activities. The lease payments for operating leases as per Ind AS 17 - Leases, were earlier reported under cash flow from operating activities. The weighted average incremental borrowing rate of 9.15% has been applied to lease liabilities recognised in the balance sheet at the date of initial application.

Following are the changes in the carrying value of right of use assets for the year ended 31 March 2020:

(Amount in Rupees Lacs unless otherwise stated)

Particulars	**As at 31 March 2020**
Balance as at 1 April 2019	1,021,988
Additions	18,543,476
Amortization	6,221,850
Balance as at 31 March 2020	**13,343,614**

The aggregate depreciation expense on right of use assets is included under depreciation and amortization expense in the statement of standalone interim Profit and Loss Account.

The following is the break-up of current and non-current lease liabilities as at 31 March 2020

(Amount in Rupees Lacs unless otherwise stated)

Particulars	**As at 31 March 2020**
Current lease liabilities	5,654,819
Non-current lease liabilities	7,282,925
Total	**12,937,744**

The following is the movement in lease liabilities during the year ended 31 March 2020:

(Amount in Rupees Lacs unless otherwise stated)

Particulars	**As at 31 March 2020**
Balance as of 1 April 2019	1,021,988
Additions	17,271,888
Finance cost accrued during the period	1,182,232
Payment of lease liabilities	6,538,364
Balance as at 31 March 2020	**12,937,744**

The table below provides details regarding future lease payments as at 31 March 2020 on an undiscounted basis:

(Amount in Rupees Lacs unless otherwise stated)

Particulars	**As at 31 March 2020**
Not later than 1 year	6,605,376
Later than 1 year but not later than 5 years	7,706,272
More than 5 year	-
Total	**14,311,648**

The Company does not face a significant liquidity risk with regard to its lease liabilities as the current assets are sufficient to meet the obligations related to lease liabilities as and when they fall due.

	Particulars	As at 31 March 2020	As at 31 March 2019
		(Rupees)	(Rupees)
2.3	**OTHER NON-CURRENT FINANCIAL ASSETS**		
	(Unsecured considered good unless otherwise stated)		
	Security deposits	4,278,638	5,103,725
		4,278,638	**5,103,725**

2.4 DEFERRED TAX ASSETS

A. Amounts recognised in profit or loss

Particulars	Year ended 31 March 2020	Year ended 31 March 2019
	(Rupees)	(Rupees)
Current tax	4,353,153	9,586,794
Deferred tax	2,638,921	886,036
Net tax expense	**6,992,075**	**10,472,830**

B. Income tax recognised in other comprehensive income

	Before tax	Tax expense / (benefit)	Net of tax
Remeasurements of net defined benefit plans	288,700	(80,316)	208,384
Effective portion of gain/ (loss) on hedging instruments of effective cash flow hedges(net of tax)	(1,543,004)	429,272	(1,113,732)
Income tax recognised in other comprehensive income	**(1,254,304)**	**348,956**	**(905,348)**

C. Reconciliation of effective tax rate

A reconciliation of the income tax provision to the amount computed by applying the statutory income tax rate to the income before taxes is summarised below:

Particulars	Percentage	Year ended 31 March 2020	Percentage	Year ended 31 March 2019
Profit before tax		29,204,985		39,408,344
Domestic tax rate	28%	8,124,827	28%	10,963,401
Tax exempt income	-4%	(1,096,516)	-3%	(1,005,895)
Tax disallowances	0%	127,307	1%	286,126
Prior period taxes	-1%	(163,544)	1%	229,197
Effective tax	24%	**6,992,074**	27%	**10,472,830**

D. Movement in temporary differences

Particulars	Balance as at 1 April 2019	Recognised [(Credited) / Charge] in profit or loss during the year	Recognised [(Credited) / Charge] in OCI during the year	MAT created / (utilised) during the year ended 31 March 2020	Balance as at 31 March 2020
Provision for compensated absences and gratuity	1,332,095	(89,363)	(80,316)	-	1,162,416
Provision for Doubtful debts	82,666	(82,666)			-
Property, plant and equipment	600,980	(107,939)			493,041
Forward contracts	(429,272)	-	429,272		-
MAT credit entitlement	15,511,219	-		2,266,738	13,244,481
Investments in Mutual Funds	-	(227,375)	-	-	(227,375)
Leased Assets	-	135,160	-	-	135,160
	17,097,688	**(372,183)**	**348,956**	**2,266,738**	**14,807,723**

	Particulars	As at 31 March 2020	As at 31 March 2019
2.5	**INCOME TAX ASSETS**		
		(Rupees)	(Rupees)
	Advance tax	1,652,943	1,627,423
		1,652,943	**1,627,423**
2.6	**OTHER NON- CURRENT ASSETS**		
	(Unsecured considered good unless otherwise stated)		
	Balance with gratuity trust	397,274	413,885
		397,274	**413,885**

	Particulars	As at 31 March 2020	As at 31 March 2019
2.7	**CURRENT INVESTMENTS**		
	Investment in Mutual Funds (Unquoted)		
	Mutual funds at fair value through profit or loss (FVTPL)		
	Nil units (31 March 2019 :542,804.38 units) of ICICI Prudential Liquid Direct Plan Daily Dividend	-	54,360,556
	287,607.38 units (31 March 2019 : Nil units) of ICICI Prudential Money Market Fund - Growth Option	80,318,646	-
	1,183,451.34 units (31 March 2019 : Nil units) of ICICI Prudential Arbitrage Fund - Growth Option	31,932,002	-
	Nil units (31 March 2019: 2,069,936.06 units) ICICI Prudential Equity Arbitrage Fund- Direct Plan- Monthly Dividend-Reinvestment option		29,996,272
	Total	**112,250,648**	**84,356,828**
	Aggregate amount of unquoted investment	112,250,648	84,356,828
2.8	**CURRENT TRADE RECEIVABLES**		
	(Unsecured)		
	Trade receivables		
	- Considered good - unsecured	9,186,711	16,737,195
		9,186,711	**16,737,195**
2.9	**CASH AND CASH EQUIVALENTS**		
	Cash on hand	4,492	10,329
	Balances with scheduled banks:		
	- in current accounts	751,925	1,044,931
	- in EEFC accounts	9,652,521	2,298,755
		10,408,938	**3,354,015**
2.10	**OTHER BANK BALANCES**		
	Balances with scheduled banks in deposit accounts with original maturity of more than 3 months :		
	Maturity within 12 months	-	448,702
		-	**448,702**
2.11	**SHORT-TERM LOANS**		
	(Unsecured considered good unless otherwise stated)		
	Loans and advances to employees (considered good)		
	- Employee advances	1,458,129	2,407,949
		1,458,129	**2,407,949**
2.12	**OTHER CURRENT FINANCIAL ASSETS**		
	(Unsecured considered good unless otherwise stated)		
	Mark-to-market gain on forward contracts (see note 2.28)	-	1,543,033
	Other recoverable from fellow subsidiaries - considered good (see note 2.29)	2,594,624	-
		2,594,624	**1,543,033**
2.13	**OTHER CURRENT ASSETS**		
	(Unsecured considered good unless otherwise stated)		
	Prepaid expenses	175,789	146,430
	Supplier advance	1,419,109	1,506,175
	Employee advances	153,055	74,298
	Income Accured but not due	-	254,702
	Deferred rent -	-	66,738
	Balances with government authorities		
	- considered good	3,270,735	1,954,382
	- considered doubtful	-	297,146
	Less : Provision for balance with government authorities	-	(297,146)
		3,270,735	1,954,382
		5,018,688	**4,002,725**

2.14 SHARE CAPITAL

Particulars	As at 31 March 2020	As at 31 March 2019
a. Authorised		
Equity shares		
1,000,000 (Previous year : 1,000,000) equity shares of Rs. 10 each	**10,000,000**	**10,000,000**
b. Issued, subscribed and fully paid-Up		
1,000,000 (Previous year : 1,000,000) equity shares of Rs. 10 each	**10,000,000**	**10,000,000**

Refer notes (i) to (iii) below

(i) **Reconciliation of number of shares and amount outstanding at the beginning and at the end of the year :**

As at the beginning of the year		
- Number of Shares	1,000,000	1,000,000
- Amount	10,000,000	10,000,000
Shares issues/ (bought back) during the year		
- Number of Shares	-	-
- Amount	-	-
As at the end of the year		
- Number of Shares	1,000,000	1,000,000
- Amount	10,000,000	10,000,000

(ii) **Rights, preferences and restrictions attached to shares**

The Company has one class of equity shares having a par value of Rs. 10 each. Each shareholder is eligible for one vote per share held. The final dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

(iii) **Details of shares held by Nucleus Software Exports Limited, the Holding Company**

- Number of Shares (see note below)	1,000,000	1,000,000
- Percentage	100%	100%
- Amount	10,000,000	10,000,000

Note : Out of the above, 6 (Previous year 6) equity shares of Rs. 10 each are held by nominees on behalf of the Holding Company.

2.15 OTHER EQUITY

Particulars	As at 31 March 2020 (Rupees)	As at 31 March 2019 (Rupees)
General reserve	66,067,678	66,067,678
Retained Earnings	67,106,716	44,685,421
Other comprehensive Income	-	1,113,732
	133,174,394	**111,866,831**

Particulars	Year ended 31 March 2020 (Rupees)	Year ended 31 March 2019 (Rupees)
a. General reserve		
Opening & Closing balance	**66,067,678**	**66,067,678**
b. Retained Earnings		
Opening balance	44,685,421	64,019,533
Add: Profit for the year	22,212,911	28,935,514
Less: Final dividend on equity shares [see note (i) below]	-	(40,000,000)
Add/ Less: Gain/ (loss) on remeasurement of net defined benefit plans	208,384	(47,506)
Less: Tax on Interim Dividend	-	(8,222,120)
	67,106,716	**44,685,421**
Hedging reserve (see note 2.28)		
Opening balance	1,113,732	23,335
Add: Movement during the year	(1,113,732)	1,090,397
Closing balance	-	**1,113,732**
Closing balance	**133,174,394**	**111,866,831**

Note:

(i) The Board of Directors on 3 May 2018 had recommended a payment of Final Dividend of Rs. 40 per share (on equity share of par value of Rs. 10 each) for the year ended 31 March 2018. The payment was approved in the Annual General Meeting held on 2 July, 2018.

Nature and purpose of other reserves

Remeasurement of net defined benefit plans
Remeasurement of net defined benefit plans (asset) comprises actuarial gain and losses and return on plan assets (excluding interest income)

Hedging reserve
This comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Particulars	As at 31 March 2020 (Rupees)	As at 31 March 2019 (Rupees)

2.16 LONG-TERM PROVISIONS

Provision for employee benefits		
Provision for compensated absences	3,273,035	3,850,179
	3,273,035	**3,850,179**

2.17 TRADE PAYABLES

Trade payables		
-Total outstanding dues of micro enterprises and small enterprises	-	-
-Total outstanding dues of creditors other than micro enterprises and small enterprises (see Note below)	1,954,001	6,504,958
Due to related party (see note 2.29)	3,738,869	-
	5,692,870	**6,504,958**

Note: The Ministry of Micro, Small and Medium Enterprises has issued an Office Memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Enterpreneurs Memorandum Number as allocated after filling of the Memorandum. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 March 2020 and 31 March 2019 have been made in the financials statements based on information received and available with the Company.

	As at 31 March 2020		As at 31 March 2019	
	Principal	**Interest**	**Principal**	**Interest**
a) Amount due to vendor	-	-	-	-
b) Principal amount paid (including interest paid) beyond the	-	-	-	-
c) Interest due and payable for the period of delay in making payment	-	-	-	-
d) Interest accrued and remaining unpaid	-	-	-	-
e) Further interest remaining due and payable for the purpose	-	-	-	-
	-	**-**	**-**	**-**

2.18 OTHER CURRENT FINANCIAL LIABILITIES

Payables to employee	5,146,228	514,059
	5,146,228	**514,059**

2.19 SHORT-TERM PROVISIONS

Provision for employee benefits		
Provision for compensated absences	905,308	938,084
	905,308	**938,084**

2.20 OTHER CURRENT LIABILITIES

Other payables - statutory liabilities	3,056,680	4,147,519
Deferred revenue (see note 2.29)	236,723	220,448
	3,293,403	**4,367,967**

2.21 Income tax liabilities

Income tax (net)	2,672,445	-
	2,672,445	**-**

	Particulars	Year ended 31 March 2020	Year ended 31 March 2019
		(Rupees)	(Rupees)
2.22	**INCOME FROM SOFTWARE SERVICES**		
	Income from software services	117,475,124	134,277,107
		117,475,124	**134,277,107**
2.23	**OTHER INCOME**		
	Interest income on financial assets- carried at amortised cost :		
	- Deposits with banks	7,297	24,110
	- Security deposit	379,763	441,848
	Dividend income from		
	- Current, non trade investments	3,941,466	3,615,724
	Gain / (Loss) on exchange fluctuation	1,932,568	2,281,310
	MTM gain or (loss) on mutual funds	1,220,491	76,580
	Premium on forward contract	1,644,090	473,000
	Other non-operating income		
	- Net profit on sale of property, plant and equipment	16,525	25,763
		9,142,200	**6,938,335**
2.24	**EMPLOYEE BENEFITS EXPENSE**		
	Salaries and wages	66,986,295	73,015,310
	Contribution to provident and other funds	4,321,859	4,462,005
	Gratuity expense (see note 2.30)	1,560,507	1,754,520
	Staff welfare expenses	1,862,977	1,830,771
		74,731,638	**81,062,606**
2.25	**OPERATING AND OTHER EXPENSES**		
	Rent and hire charges	-	5,809,972
	Repair and maintenance		
	- Buildings	12,295	812,082
	- Others	1,731,898	728,690
	Insurance	97,386	90,619
	Rates & taxes	81,990	23,323
	Travelling		
	- Foreign	3,083,358	2,820,422
	- Domestic	625,565	422,741
	Legal and professional	1,970,108	750,974
	Conveyance	1,376,518	1,348,706
	Communication	860,860	937,852
	Training and recruitment	657,984	291,872
	Power and fuel	3,695,805	3,580,221
	Director sitting fee	160,000	200,000
	Provision for Doubtful assets	(297,146)	297,146
	Miscellaneous expenses	512,291	1,952,665
		14,568,912	**20,067,285**
	Note:		
	Legal and professional expenses includes audit fees (excluding taxes):		
	a. As auditors - statutory audit	350,000	350,000
	b. Outlays	10,500	10,500
2.26	**FINANCE COST**		
	Bank charges	193,545	280,844
	Interest on lease liability	1,182,232	-
		1,375,777	**280,844**
2.27	**EARNINGS PER SHARE**		
	a. Profit after taxation available to equity shareholders (Rupees)	22,212,911	28,935,514
	b. Weighted average number of equity shares used in calculating earnings per share	1,000,000	1,000,000
	c. Basic and Diluted earnings per share (Rupees)	22.21	28.94

2.28

a) Financial Instruments by category

The carrying value and fair value of financial instruments by categories of 31 March 2020 were as follows:

Particulars	Amortised cost	Financial assets/liabilities at fair value through profit or loss	Financial assets/liabilities at fair value through OCI	Total carrying value	Total fair value	Level 1	Level 2	Level 3
Assets:								
Cash and cash equivalents (2.9)	10,408,938	-	-	10,408,938	10,408,938			
Other bank balances (2.10)	-	-	-	-	-			
Investments (2.7)								
Mutual funds	-	112,250,648	-	112,250,648	112,250,648	112,250,648		
Trade receivables (2.8)	9,186,711	-	-	9,186,711	9,186,711			
Loans (2.11)	1,458,129	-	-	1,458,129	1,458,129			
Other financial assets (2.3 and 2.12)	6,873,262	-	-	6,873,262	6,873,262			
	27,927,040	**112,250,648**	**-**	**140,177,688**	**140,177,688**			
Liabilities:								
Trade payables (2.17)	5,692,870	-	-	5,692,870	5,692,870			
Lease liabilities (2.2)	12,937,744			12,937,744	12,937,744			
Other financial liabilities (2.18)	5,146,228	-	-	5,146,228	5,146,228			
	23,776,842	**-**	**-**	**23,776,842**	**23,776,842**			

The carrying value and fair value of financial instruments by categories of 31 March 2019 were as follows:

Particulars	Amortised cost	Financial assets/liabilities at fair value through profit or loss	Financial assets/liabilities at fair value through OCI	Total carrying value	Total fair value	Level 1	Level 2	Level 3
Assets:								
Cash and cash equivalents (2.9)	3,354,015	-	-	3,354,015	3,354,015			
Other bank balances (2.10)	448,702	-	-	448,702	448,702			
Investments (2.7)								
Mutual funds	-	84,356,828	-	84,356,828	84,356,828	84,356,828		
Trade receivables (2.8)	16,737,195	-	-	16,737,195	16,737,195			
Loans (2.11)	2,407,949	-	-	2,407,949	2,407,949			
Other financial assets (2.3 and 2.12)	5,103,725	-	1,543,033	6,646,758	6,646,758			
	28,051,586	**84,356,828**	**1,543,033**	**113,951,447**	**113,951,447**			
Liabilities:								
Trade payables (2.17)	6,504,958	-	-	6,504,958	6,504,958			
Other financial liabilities (2.18)	514,059	-	-	514,059	514,059			
	7,019,017	**-**	**-**	**7,019,017**	**7,019,017**			

The carrying amount of current trade receivables, short term loan, trade payables, current financial liabilities and cash and cash equivalent are considered to be same as their fair values, due to their short-term nature.

The fair value of Non -current security deposit were calculated based on cashflows discounted using a transition date lending rate as there is no material change in the lending rate.

Fair value hierarchy

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3 - Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

Valuation technique used to determine fair value

Specific valuation techniques used to value financial instruments include:
a) the use of quoted market prices or dealer quotes for similar instruments.
b) for forward exchange contracts, the fair value is determined using quoted forward exchange rates at the reporting date.
c) the fair value of remaining financial instruments is determined using discounted cash flows method.

b) Financial risk management

The Company's activities expose it to a variety of financial risks arising from financial instruments

- **Market risk,**
- **Credit risk and**
- **Liquidity risk**

i) Market risk

a) Hedge accounting

The Company's focus is to foresee the unpredictability of financial markets and seek to minimize potential adverse effects on its financial performance. The primary market risk to the Company is foreign exchange risk.The Company's exposure to credit risk is influenced mainly by the individual characteristic of each customer and the concentration of risk from the top few customers.

The Company operates internationally and a major portion of the business is transacted in several currencies and consequently the Company is exposed to foreign exchange risk through its sales and services and purchases from overseas suppliers in various foreign currencies. The Company holds derivative financial instruments such as foreign exchange forward and option contracts to mitigate the risk of changes in exchange rates on foreign currency exposures. The exchange rate between the rupee and foreign currencies has changed substantially in recent years and may fluctuate substantially in the future.
The Company determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows.

The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below :

Currency	As at 31 March 2020		As at 31 March 2019	
	Amount in foreign currency	Amount in Rupees	Amount in foreign currency	Amount in Rupees
Receivable				
JPY	3,726,302	2,594,624	12,575,193	7,849,435
USD	109,840	8,311,593	-	-
Note 1-Forward contract outstanding as at 31 March 2020, Rs. Nil (previous year 31 March 2019 USD 600,000, Rs. 41,496,000) against receivables.				
Payables				
JPY	5,369,624	3,738,869	-	-

For the period ended 31 March, 2020 and 31 March, 2019 , 10% depreciation/ appreciation in the exchange rate between the Indian rupee and Foreign currencies, would have affected the Company's incremental profit by Rs. 716,735 and Rs. 784,944 respectively.

Sensitivity analysis is computed based on the changes in the income and expenses in foreign currency upon conversion into functional currency, due to exchange rate fluctuations between the previous reporting period and the current reporting period.

b) Price risk

(a) Exposure

The Company's exposure to Mutual funds price risk arises from investments held by the Company and classified in the balance sheet at fair value through profit or loss.

(b) Sensitivity

The sensitivity of profit or loss in respect of investments in mutual funds at the end of the reporting period for +/- 2% change in price and net asset value is presented below:

	Impact on profit before tax	
	31 March 2020	31 March 2019
Increase 2%		
Mutual funds	2,245,013	1,687,137
Decrease 2%		
Mutual funds	(2,245,013)	(1,687,137)

Derivative financial instruments

The Company holds derivative financial instruments such as foreign currency forward and option contracts to mitigate the risk of changes in exchange rates on foreign currency exposures. The counterparty for these contracts is generally a bank or a financial institution. These derivative financial instruments are valued based on quoted prices for similar assets and liabilities in active markets or inputs that are directly or indirectly observable in the marketplace.

The following table gives details in respect of outstanding foreign exchange forward and option contracts:

Forward contracts

Forward contract outstanding	Buy/Sell	As at 31 March 2020	Equivalent amount in Rupees 31 March 2020	As at 31 March 2019	Equivalent amount in Rupees 31 March 2019
In USD	Sell	-	-	600,000	41,496,000

The foreign exchange forward contracts mature within six months. The table below analyzes the derivative financial instruments into relevant maturity groupings based on the remaining period as of the

Particulars	As at 31 March 2020	Equivalent amount in Rupees 31 March 2020	As at 31 March 2019	Equivalent amount in Rupees 31 March 2019
Not later than one month	-	-	100,000	6,916,000
Later than one month and not later than three months	-	-	200,000	13,832,000
Later than three months and not later than one year	-	-	300,000	20,748,000

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument, including whether the hedging instrument is expected to offset changes in cash flows of hedged items.

The following table provides the reconciliation of cash flow hedge reserve for the year ended 31 March 2020:

Particulars	31 March 2020	31 March 2019
Balance at the beginning of the period	1,113,732	23,335
Gain / (Loss) recognised in other comprehensive income during the period, net of taxes	(1,113,732)	1,090,397
Balance at the end of the period	-	1,113,732

The company offsets a financial asset and a financial liability when it currently has a legally enforceable right to set off the recognized amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.
Cash flow hedge- Foreign exchange risk

	31 March 2020	31 March 2019
Changes in the value of the hedging instrument recognised in other comprehensive income profit or (loss),net	(1,543,004)	1,510,663
Hedge ineffectiveness recognised in profit or (loss)	-	-
Amount reclassified from cash flow hedging reserve to profit or (loss)	1,801,340	(2,204,250)

The following table provides quantitative information about offsetting of derivative financial assets

Particulars	**As at 31 March 2020**	**As at 31 March 2019**
Gross amount of recognized financial asset	-	1,543,033
Net amount presented in balance sheet	-	1,543,033

ii) Credit risk

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

In general, it is presumed that credit risk has significantly increased since initial recognition if the payments are more than 30 days past due.

A default on a financial asset is when the counter party fails to make contractual payments within 90 days of when they fall due. This definition of default is determined by considering the business environment in which entity operates and other macro-economic factors.

Credit risk refers to the risk of default on its obligation by the counterparty resulting in a financial loss. The maximum exposure to the credit risk at the reporting date is primarily from trade receivables amounting to Rs. 9,186,711 and Rs. 16,737,195 as of 31 March, 2020 and 31 March, 2019 respectively. The Company has least credit risk as entire revenue is from fellow subsidiaries and which has positive net worth. On account of adoption of Ind AS 109, the Company uses expected credit loss model to assess the impairment loss or gain. The Company uses a provision matrix to compute the expected credit loss allowance for trade receivables. The Company has nil expected credit loss allowance.

Credit risk on cash and cash equivalents is limited as the Company generally invests in deposits with banks and financial institutions with high credit ratings assigned by international and domestic credit rating agencies. Investments primarily include investment in mutual fund units.
The Company's principal sources of liquidity are cash and cash equivalents and the cash flow that is generated from operations. The Company has no outstanding bank borrowings. The company believes that the working capital is sufficient to meet its current requirements. Accordingly, no liquidity risk is perceived.

As of March 31, 2020, the Company had a working capital of Rs. 117,552,665 including cash and cash equivalent of Rs. 10,408,937 and current investment of Rs. 112,250,648 (31 March 2019 Rs. 100,525,380 including cash and cash equivalent of Rs. 3,354,015 and current investment of Rs. 84,356,828).

The table below provides details regarding the contractual maturities of significant financial liabilities as of March 31, 2020:

Particulars	**Less than 1 year**	**1-2 years**	**Total**
Trade payables	5,692,870	-	**5,692,870**
Lease Liability	5,654,819	7,282,925	**12,937,744**
Other financial liabilities	5,146,228	-	**5,146,228**

The table below provides details regarding the contractual maturities of significant financial liabilities as of March 31, 2019:

Particulars	**Less than 1 year**	**1-2 years**	**Total**
Trade payables	6,504,958	-	**6,504,958**
Other financial liabilities	514,059	-	**514,059**

a) Expected credit loss for security deposits

As at 31 March 2020

Particulars		**Asset group**	**Estimated gross carrying amount at default**	**Expected probability of default**	**Expected credit loss**	**Carrying amount net of impairment provision**
Loss allowance measured at 12 month expected credit loss	Financial assets for which credit risk has not increased significantly since initial recognition	Security deposits	4,278,638	0%	-	4,278,638

As at 31 March 2019

Particulars		**Asset group**	**Estimated gross carrying amount at default**	**Expected probability of default**	**Expected credit loss**	**Carrying amount net of impairment provision**
Loss allowance measured at 12 month expected credit loss	Financial assets for which credit risk has not increased significantly since initial recognition	Security deposits	5,103,725	0%	-	5,103,725

b) Expected credit loss for trade receivables under simplified approach

As at 31 March 2020

Ageing	Not due	0-90 days past due	91-180 days past dues	181-270 days past dues	271-360 days past dues	More than 360 days past dues	Total
Gross carrying amount	9,186,711	-	-	-	-	-	9,186,711
Less : Expected credit losses (Loss allowance provision)	-	-	-	-	-	-	-
Carrying amount of trade receivables (net of impairment)	9,186,711	-	-	-	-	-	9,186,711

As at 31 March 2019

Ageing	Not due	0-90 days past due	91-180 days past dues	181-270 days past dues	271-360 days past dues	More than 360 days past dues	Total
Gross carrying amount	16,737,195	-	-	-	-	-	16,737,195
Less : Expected credit losses (Loss allowance provision)	-	-	-	-	-	-	-
Carrying amount of trade receivables (net of impairment)	16,737,195	-	-	-	-	-	16,737,195

c) Capital Management

The Company's objectives when managing capital are to:

-safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and

- maintain an appropriate capital structure

The Board of Directors has the primary responsibility to maintain a strong capital base and reduce the cost of capital through prudent management in deployment of funds so as to maintain investors, creditors & markets' confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as result from operating activities divided by total shareholders' equity.

The Company monitors capital, using a medium term view of three to five years, on the basis of a number of financial ratios generally used by industry and by the rating agencies. The Company is not subject to externally imposed capital requirements.

The Company monitors capital using gearing ratio which is adjusted net debt divided by total equity. Adjusted net debt comprises of long term and short term liabilities less cash and cash equivalent. Equity includes equity share capital and reserves that are managed as capital. The gearing ratio at the end of the reporting periods was as follows:

	As at 31 March, 2020	As at 31 March, 2019
Total Liabilities	33,921,033	16,175,247
Less: Cash and cash equivalnets	10,408,938	3,354,015
Adjusted debt	**23,512,095**	**12,821,233**
Total equity	**143,174,394**	**121,866,831**
Adjusted net debt to equity ratio	**0.16**	**0.11**

(i) Risk management

For the purpose of the Company`s capital management, capital includes issued equity capital and all other equity reserves attributable to the equity holders of the Company. The primary objective of the Company`s capital management is to maximise the shareholder value.

The Company manages it capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders, raise debts or issue new shares.

(ii) Dividends

Particulars	31 March 2020	31 March 2019
(i) Equity Shares		
Final dividend for the year ended 31 March 2020 Rs. Nil per share fully paid up (31 March 2019 Rs. 40 per share fully paid up)	-	40,000,000
(ii) Dividends not recognised at the end of reporting period	-	-

2.29 RELATED PARTY TRANSACTIONS

List of related parties

a. List of related parties and nature of relationship where control exists
Nucleus Software Exports Limited - Holding Company

b. List of related parties and nature of relationship with whom transactions have taken place during the year:
Nucleus Software Solution Pte. Ltd., Singapore - Fellow subsidiary
Nucleus Software Japan Kabushiki Kaisha, Japan - Fellow subsidiary

Particulars	**Year ended 31 March 2020 (Rupees)**	**Year ended 31 March 2019 (Rupees)**
Transactions with related parties		
i. Sale of services		
- Nucleus Software Solution Pte. Ltd., Singapore	108,930,539	112,679,274
- Nucleus Software Japan Kabushiki Kaisha, Japan	7,081,987	18,543,660
- Nucleus Software Exports Limited	1,305,349	3,054,173
ii. Reimbursement of expenses		
From related parties		
- Nucleus Software Japan Kabushiki Kaisha., Japan	42,217,083	45,854,183
To related parties		
- Nucleus Software Exports Limited	64,676	65,812
- Nucleus Software Japan Kabushiki Kaisha, Japan	1,247,346	-
iii. Dividend paid		
- Nucleus Software Exports Limited	-	40,000,000

Outstanding balances as at year end

Particulars	**As at 31 March 2020 (Rupees)**	**As at 31 March 2019 (Rupees)**
i Trade receivables		
- Nucleus Software Solution Pte. Ltd., Singapore	8,311,593	8,686,496
- Nucleus Software Exports Ltd., India	875,118	201,263
- Nucleus Software Japan Kabushiki Kaisha, Japan	-	7,849,435
ii Other recoverable		
- Nucleus Software Japan Kabushiki Kaisha, Japan	2,594,624	-
iii Trade Payables		
- Nucleus Software Japan Kabushiki Kaisha, Japan	3,738,869	-
iv Deferred revenue		
- Nucleus Software Solution Pte. Ltd., Singapore	236,723	220,448

VIRSTRA I-TECHNOLOGY SERVICES LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

2.30 Employee benefit obligations

Defined contribution plans

An amount of Rs. 3,706,120 for the year ended 31 March, 2020 (Year ended 31 March 2019 Rs. 3,801,613), has been recognized as an expense in respect of the Company's contribution towards Provident Fund and Rs. 615,739 for the year ended 31 March 2020 (Year ended 31 March 2019 Rs. 660,392) has been recognized as an expense in respect of National Pension scheme and has been shown under Employee Benefits expense in the financial statements.

In relation to the judgement of the Honourable Supreme Court of India (SC) on 28 February 2019 related to provident fund, there are considerable interpretative challenges including its retrospective implications due to which the impact of the retrospective period cannot be reliably estimated. Management believes that impact of aforementioned uncertainties on the financial statements of the Company is not expected to be material.

Further, with effect from 1 April 2019, the Company has aligned its salary structure in accordance with the (SC) judgement.

Defined benefit plans

The Gratuity scheme provides for lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days basic salary payable for each completed year of service or part thereof in excess of 6 months subject to a maximum limit of Rs. 20 lacs in terms of the provisions of the Payment of Gratuity Act, 1972. Vesting occurs upon completion of 5 years of service.

Provision in respect of gratuity has been determined using the Projected Unit Credit method, with actuarial valuations being carried out at the balance sheet date.

The Company had made contributions to Nucleus Software Export Limited Employees Group Gratuity Assurance Scheme, which has made further contributions to Employees Group Gratuity Scheme of Life Insurance Corporation of India.

Reconciliation of opening and closing balances of the present value of the defined benefit obligation as on 31 March, 2020 :

Particulars		As at 31 March 2020 (Rupees)	As at 31 March 2019 (Rupees)
a.	**Change in defined benefit obligations (DBO)**		
	Obligation at beginning of the year	16,815,736	14,463,049
	Current service cost	1,624,479	1,582,889
	Past service cost	-	-
	Interest on defined benefit obligation	1,099,490	975,488
	Remeasurement due to:		
	Actuarial loss/(gain)arising from change in financial assumptions	603,031	376,868
	Actuarial loss/(gain)arising from change in demographic assumptions	-	11,606
	Actuarial loss/(gain)arising on account of experience changes	(807,517)	(129,928)
	Benefits paid	(2,224,414)	(464,236)
	Obligation at year end	**17,110,805**	**16,815,736**
b.	**Change in fair value of plan assets during the year**		
	Plan assets at year beginning, at fair value	17,229,621	11,643,708
	Expected return on asset plan	1,163,462	803,856
	Contributions by employer	1,255,196	5,167,631
	Remeasurement due to :		
	Actuarial return on plan assets less interest on plan assets	84,214	78,662
	Benefits paid	(2,224,414)	(464,236)
	Plan assets at year end, at fair value	**17,508,079**	**17,229,621**
c.	**Net asset / (liability) recognised in the Balance Sheet**		
	Present value of defined benefit obligation	17,110,805	16,815,736
	Fair value of plan assets	17,508,079	17,229,621
	Funded status -Deficit	(397,274)	(413,885)
	Net liability recognised in the Balance Sheet	**(397,274)**	**(413,885)**
d.	Expected employer's contribution next year	1,000,000	1,000,000

e. **Gratuity cost for the year:**

Particulars	Year ended 31 March 2020 (Rupees)	Year ended 31 March 2019 (Rupees)
Current service cost	1,624,479	1,582,889
Past service cost	-	-
Interest cost	(63,972)	171,632
Net gratuity cost	**1,560,507**	**1,754,521**

f. **Remeasurements (gain) / loss recognised in other comprehensive income:**

Particulars	Year ended 31 March 2020	Year ended 31 March 2019
	(Rupees)	(Rupees)
Actuarial (gain)/ loss on defined benefit obligation	(204,486)	246,940
Return on plan assets excluding interest income	(84,214)	(78,662)
	(288,700)	**168,278**

VIRSTRA I-TECHNOLOGY SERVICES LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Particulars	Year ended 31 March 2020	Year ended 31 March 2019
	(Rupees)	(Rupees)
g. Assumptions :-		
Economic assumptions		
Discount rate	6.35%	7.00%
Salary escalation rate	8.00%	8.00%

Discount rate:
The discount rate is based on the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of the obligations.

Salary escalation rate:
The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.

Expected rate of return on plan assets:
This is based on our expectation of the average long term rate of return expected on investments of the Fund during the estimated term of the obligations.

h. **Demographic assumptions**

Retirement age	58 years	58 years
Mortality table	Indian Assured Lives Mortality (2006-08)	Indian Assured Lives Mortality (2006-08)

Withdrawal rates

Ages Withdrawal Rate %	Ages Withdrawal Rate %
21-50 years - 16%	21-50 years - 16%
51-54 years - 2%	51-54 years - 2%
55-57 years -1%	55-57 years -1%

i. **Category of assets**

Insurer managed funds	17,508,079	17,229,621

J. **Sensitivity analysis**
Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding and other assumptions constant,would have affected the defined benefit obligation by the amount shown below:

Particulars	Year ended 31 March 2020		Year ended 31 March 2019	
	Increase	**Decrease**	**Increase**	**Decrease**
Discount rate (0.5% movement)	(454,374)	503,368	(469,159)	491,019
Salary escalation rate (0.5% movement)	356,169	(348,506)	358,175	(361,538)

2.31 Segment reporting

Based on the guiding principles stated in Ind AS 108 on “Segment Reporting” with the accounting standards specified under section 133 of the Act, as applicable, the Chief Operating Decision Maker (CODM) has identified its business of providing software services as the only reportable operating segment. Accordingly, no additional disclosure for segment reporting have been made in these financial statements.

2.32 The Company has established a comprehensive system of maintenance of information and documents as required by the transfer pricing legislation under sections 92-92F of the Income Tax Act, 1961. Since the law requires existence of such information and documentation to be contemporaneous in nature, the Company is in the process of updating the documentation for the international transactions entered into with associated enterprises during the year and expects such records to be in existence latest by the due date of filing of the return of income, as required under law. The management is of the opinion that its international transactions are at arm's length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

2.33 EXPENDITURE ON CORPORATE SOCIAL RESPONSIBILITY

Amount in Rupees

	Particulars	Year ended 31 March 2020	Year ended 31 March 2019
a.	Gross amount required to be spent by Company during the year ended 31 March 2020 / 31 March, 2019 :	1,146,164	1,115,424
b.	Amount spent during the period		
(i)	Construction/acquisition of any asset	-	-
(ii)	Purposes other than Construction/acquisition of any asset	-	-

2.34 Contingent liabilities and Commitments (to the extent not provided for)

a. Contingent liabilities

Name of the statute	Nature of dues	Amount of dispute (Rs.)	Assessment Year	Forum of Dispute
Income Tax Act, 1961	Income Tax	202,281	AY 2014-15	Deputy Commissioner of Income Tax

Management is of the view that the above demand is highly unlikely to be retained and accordingly no provision has been created in the financial statements in respect of the above litigation.

Amount in Rupees

	Particulars	Year ended 31 March 2020	Year ended 31 March 2019
b.	**Capital Commitments**	295,965	-

Estimated amount of contracts remaining to be executed on capital account and not provided for in the books of account (net of advances).

2.35 Nucleus Software Exports Limited ("Holding Company") holds 100% equity shares of the Company. On 28 February 2019, the Board of Directors of the Company had approved a scheme of amalgamation ("the Scheme") for merger of the Company with the Holding Company w.e.f 1 April 2019, being the appointed date, and the petition for merger has been approved by the National Company Law Tribunal (NCLT), Delhi Bench on 18 March 2020. As on date, the Company is awaiting a certified copy of this order alongwith the approved the scheme of merger from the NCLT. Consequently, the filing of these documents with the Registrar of Companies (ROC) and other necessary steps required to give effect to the Scheme are pending as on date and the process is expected to get completed in the near future.

2.36 In view of pandemic relating to COVID -19, the Company has considered internal and external information and has performed its analysis based on current estimates in assessing the recoverability of trade receivables and other financial assets, for possible impact on the financial statements. However, the actual impact of COVID-19 on the Company's financial statements may differ from that estimated and the Company will continue to closely monitor any material changes to future economic conditions.

For **B S R & ASSOCIATES LLP**
Chartered Accountants
Firm Registration Number : 116231W/W-100024

For and on behalf of the Board of Directors
VIRSTRA I-TECHNOLOGY SERVICES LIMITED

Sd/-
ASHWIN BAKSHI
Partner
Membership number : 506777
UDIN: 20506777AAAABA4120

Sd/-
VISHNU R DUSAD
Director

Sd/-
RAVI PRATAP SINGH
Director

Place : New Delhi
Date : 22 May 2020

Place : Noida
Date : 22 May 2020