

**HCL INFOSYSTEMS LTD.**

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Registered Office: 806 Siddharth, 96, Nehru Place, New Delhi-110019, India  
Corporate Identity Number - L72200DL1986PLC023955  
www.hclinfosystems.com  
www.hcl.com

3<sup>rd</sup> October, 2016

To  
The Secretary,  
**National Stock Exchange of India Limited,**  
"Exchange plaza"  
Bandra-Kurla Complex,  
Bandra (East)  
Mumbai-400051

To  
The Secretary,  
**BSE Limited,**  
P.J.Tower  
Dalal Street  
Fort  
Mumbai-400001

**Sub: Submission of Annual Report of HCL Infosystems Limited for the financial year 2015-16 (9 Months) in compliance of Regulation 34 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

**Symbol: NSE : HCL-INSYS**  
**BSE (For Physical Form): 179**  
**BSE (For Electric Form) : 500179**

Dear Sirs,

Please find the enclosed herewith a copy of Annual Report financial year 2015-16 (9 Months) as approved and adopted in the Annual General Meeting of the Company held on Thursday, 29<sup>th</sup> September, 2016 at 10:00 A.M. at Kamani Auditorium, 1, Copernicus Marg, New Delhi – 110001.

This is for your information and records.

Yours Faithfully,  
**For HCL Infosystems Limited**

  
**Sushil Kumar Jain**  
**Company Secretary**



Encl: As Above

**HCL**

# Enhanced Focus on Enterprise Business





CORPORATE INFORMATION

BOARD OF DIRECTORS

**Chairman**  
Nikhil Sinha

**Executive Vice Chairman and Managing Director**  
Premkumar Seshadri

**Directors**  
Dhirendra Singh  
Dilip Kumar Srivastava  
Kaushik Dutta  
Pawan Kumar Danwar  
Pradeep Kumar Khosla  
Ritu Arora  
Sangeeta Talwar  
Sanjeev Sharma  
V N Koura

CHIEF FINANCIAL OFFICER

S G Murali

COMPANY SECRETARY

Sushil Kumar Jain

AUDITORS

Price Waterhouse, Gurgaon

BANKERS

State Bank of India  
Canara Bank  
HDFC Bank Limited  
ICICI Bank Limited  
IDBI Bank Limited  
Societe Generale  
Standard Chartered Bank  
State Bank of Patiala  
Axis Bank Limited  
Yes Bank Limited  
The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

806, Siddharth,  
96, Nehru Place, New Delhi - 110 019

CORPORATE OFFICE

E-4, Sector XI, Noida - 201 301 (U.P.)

CORPORATE IDENTITY NUMBER

L72200DL1986PLC023955

CONTENTS

03 MD's Message

05 Financial Highlights

06 Management Discussion and Analysis

20 Report on Corporate Social Responsibility

23 Directors' Report

44 Report on Corporate Governance

64 Annual Accounts - Parent Company

106 Consolidated Accounts

146 Statement under section 129(3) of the Companies Act, 2013 in Form AOC-1 relating to subsidiaries



# MD's MESSAGE

## Dear Shareholders

It gives me immense pleasure to congratulate all of you as we embark on the 40<sup>th</sup> year of our journey of pioneering innovations in technology. HCL's successful longevity in the market can be solely attributed to its ability to adapt and grow.

In fiscal 2016, we have accelerated the pace of our trajectory to build a customer centric business. Today, your company is configured into four market-driven Business Units housing nine core lines of business (LOBs). This reconfiguration of business units enables us to achieve profitable revenue growth as well as bolster the sustainable order book in emerging market growth segments. The inherent synergies in our focus businesses will significantly enhance the growth potential.

Your company posted revenue of Rs. 3718 Crores in FY16, a decline of 18% over the corresponding nine months period. This was mainly due to the weak demand environment and rationalization of product portfolio by the Principal in the Consumer Distribution business. However, the consistent focus and investments in our Enterprise Distribution business resulted in a robust growth in this segment over the last year with 72% Y-o-Y increase in revenues. The overall Services business was on a positive growth track.

During the year, an integrated Go To Market (GTM) organization called 'Enterprise 360', a market facing organization was conceptualized and implemented to sell our Products, Services and Solutions across the Enterprise Segment to be the preferred Technology Lifecycle Partner for our customers.

The core Enterprise Business consisting of Enterprise Product Distribution, Domestic Enterprise Services, Global Enterprise Services and Care Services will be the engine for the Company's next level of growth. The Enterprise Products Distribution portfolio was further strengthened with addition of leading international technology brands during the last three quarters. With a differentiated value added distribution proposition coupled with an augmented solution-cum-service offerings, strategic partner alliances and channel network, the business is set on a sustainable growth trajectory.

The Domestic Enterprise Services business won multiple prestigious client engagements against strong competition. Infrastructure Managed Services (IMS) achieved over 80% client renewal and the Multi-Vendor Technology Services (MVTs) business focused on profitability, efficiency and contract rationalization. We continue to invest in capability and tools here and would continue to do so in the coming years as we push for market leadership in key emerging areas of Infrastructure Management. The Global Services business continued to register growth in revenue and profitability. I am glad to inform that our Care business has registered a revenue growth of 11% Y-o-Y.

During FY16, the System Integration (SI) business continued to focus on efficient execution of current order

book and moved some of its key defence projects towards commercial closure. The UIDAI project crossed the milestone of enrolment of more than 100 crore Aadhaars.

The Financial Inclusion (FI) business of the company has been in sync with the Government's focus on reaching out to the vast un-banked and under-banked population. We are proud to be part of this nation building mission. During the year, the FI business registered 29% growth in Y-o-Y revenue and 59% Y-o-Y growth in banking transactions.

Your company also focused on driving cost optimization and contract rationalization to improve profitability, operational excellence and quality initiatives to build a sustainable business model.

During the year, we have further augmented the leadership strength of the company by inducting highly experienced executives in strategic roles across the organization.

We have introduced PULSE (Personalized Unit Level Self Evaluation), a weekly self-evaluation system for employees. PULSE is the first such weekly evaluation concept to be introduced on such a scale. Under the 52 week metrics system, each employee is required to self-assess his performance along pre-defined metrics, which will allow to review performance with the reporting manager and course correct on a weekly basis. Ultimately this will ensure better alignment of individual actions with larger organizational goals. It is becoming a part of our daily working life and driving us to perform at full potential, achieve excellence and thus fast forward our transformation growth journey.

During the year under review, your Company was recognized on multiple occasions for business and technology excellence. HCL Infosystems won the "Operational Excellence Award" for Order Management Process at the National Quality Excellence Awards. HCL Infotech was felicitated at the 11th Elets Annual eINDIA Summit 2015 for creating World Class IT infrastructure to transform e-Governance in Madhya Pradesh. The Care business won multiple awards - 'Retailer of the Year' award at the Asia Africa GCC Retail Excellence Awards; 'CMO Asia Marketing Excellence Award' in Retail and Telecom Services Sector; 'Retailer of the Year' award for Market Leadership and Innovation at Asia Retail Congress and 'Retailer of the Year' award at CMO Retail Excellence Award, Singapore.

## People Competency

Strategic Leadership in place to fast track our growth trajectory.

There is a two-pronged People Strategy - Get High Potential People and Ensure every one performs to Full Potential.

**Pulse Check** – Demanding & Driving Excellence; PULSE has been operational in the Company during the second half of the year and early reports have indicated a behavioral shift in employees across various business units.

As we move forward into FY17, we are well positioned and geared up to achieve sustainable and profitable growth. We also realize that these are the initial milestones of a long and challenging journey. However, the growth indicators are both positive and promising for all our focus businesses. The impetus from the Government of India on Digital India, Smart Cities, Make in India, Internal Security, positions us in a strategically advantageous territory and enables us to address these markets & industry-driven opportunities efficiently and profitably.

Our aim is to be a preferred Technology Lifecycle Partner for our clients and a great place to work for our employees. With a new and talented leadership team, market aligned businesses, aggressive go-to-market strategies and rigour in driving operational efficiencies - we are confident that we will create better value for our customers, partners and shareholders and ensure that HCL Infosystems gains its rightful place in the industry.

Further, I would like to thank shareholders for the support and faith that you have reposed in the Company.

**With Warm Regards**  
**Premkumar Seshadri**

## Integrated Market Approach

During the year, we have transitioned into a highly Enterprise focused, integrated GTM structure, 'Enterprise 360', that synergizes our strengths across Services, Products and Solutions for the Enterprise customers.

Enterprise Services + Enterprise Distribution = Client Partner Ecosystem.  
The Target Outcomes are Increase in Wallet Share & Higher Deal Values



# Financial Highlights

## Revenue and Profitability (Consolidated)

₹ / Crores

YEAR ENDED*	2016	2015	2014	2013	2012
Total Revenue	3,775	6,284	7,955	9,360	10,856
PBIDT	(102)	21	23	63	215
Interest	119	143	156	137	85
Depreciation	32	52	53	52	46
Profit (Loss) before Tax	(253)	(174)	(186)	(126)	84
Provision for Tax	1	11	29	(46)	14
Profit (Loss) after Tax (PAT)	(254)	(185)	(215)	(80)	70
Profit available for Appropriation	9	263	448	666	817
<b>Equity Dividend</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>67</b>
Basic Earning Per Share (₹)*	(11.41)	(8.29)	(9.62)	(3.59)	3.23
PBIDT (%)	(2.7%)	0.3%	0.3%	0.7%	2%
Profit before Tax/Revenue (%)	(7%)	(3%)	(2%)	(1%)	1%
Return on Net worth (%)	(25%)	(15%)	(15%)	(4%)	4%
Return on Capital Employed (%)®	(6%)	(1%)	(1%)	0.4%	6%
Equity Dividend (%)	Nil	Nil	Nil	Nil	150%

\* Based on equity shares of ₹ 2/- each on Balance Sheet date.

# The current year's figures are for the nine month period from July 1, 2015 to March 31, 2016.

The previous years' figures are for 12 months ended June 30.

® Calculated on "PBIT"

## Assets and Liabilities (Consolidated)

₹ / Crores

AS AT YEAR END	2016	2015	2014	2013	2012
<b>Sources of Funds</b>					
Equity Funds	45	45	45	45	45
Reserves and Surplus	963	1,213	1,398	1,790	1,866
Borrowings	1,303	1,251	1,112	1,094	691
Other Current and Non Current Liabilities	1,209	1,438	1,956	2,749	2,424
<b>Total</b>	<b>3,520</b>	<b>3,947</b>	<b>4,511</b>	<b>5,678</b>	<b>5,026</b>
<b>Application of Funds</b>					
Net block	732	811	920	411	405
Investments	50	235	175	919	432
Deferred Tax Assets (Net)	1	1	5	73	27
Other Current and Non Current Assets	2,737	2,900	3,411	4,275	4,162
<b>Total</b>	<b>3,520</b>	<b>3,947</b>	<b>4,511</b>	<b>5,678</b>	<b>5,026</b>

# Management Discussion & Analysis

Section 2(41) of the Companies Act, 2013 requires all the companies to have their financial year ending on 31st March. The Company has adopted this change from current financial year and accordingly, the current financial year of the company is for a nine month period from 1st July, 2015 to 31st March, 2016 (hereinafter referred as "Year ended 31st March, 2016"). Accordingly, the figures for the current financial year are not comparable to those of previous year. Hence, we have used 9 months July'14- Mar'15 for comparison purposes.

## Enterprise 360 – The next step in the transformation journey



Enterprise 360 organization structure in place

.....

Synergized offerings created by combining Services, Products and Solutions

.....

Highly Enterprise focused market approach model

HCL Enterprise will focus on Accounts spread across BFSI; IT/ITeS; Major SI's and Strategic Corporate Accounts

.....

HCL Partner will address the Midmarket of named accounts directly and the rest of the market (including SMBs) through channel partners

.....

Both market-facing organizations will sell the entire suite of Products, Services and Solutions

In the three quarters constituting FY-16, a key initiative for your company was to configure a robust Go-to-Market (GTM) organization that effectively leverages our diverse capabilities and assets. Accordingly, we have now created a highly Enterprise focused, integrated GTM structure, called Enterprise 360, that synergizes our strengths across Services, Products and Solutions and is designed to fulfil our mission to be the preferred Technology Lifecycle Partner for our clients.

Enterprise 360 has emerged from the imperative to enhance the Company's synergy potential through a highly focused approach to the market, armed with a composite offering suite of Products, Services and Solutions.

Enterprise 360 is a Single Account Owner, market-facing structure and process, offering HCL-I's entire suite of Products, Solutions (SI) & Services to specific named accounts in the Enterprise and Mid Markets and to all non-named Accounts through the pan-India Channel Sales network. The structure consists of 2 market facing organizations – HCL Enterprise and HCL Partners.

Enterprise 360 also aligns to the rapidly evolving client needs and expectations shaped by business imperatives and the increasing impact of technology enablement. The accelerating adoption of emergent technologies such as Cloud, Analytics and IoT Internet of Things (IoT) offer significant opportunities for your Company to play in multiple fast-growing value-enriched, high margin sectors. Consequently, our road-map of growth and profitability is based on 3 key directions:

- Focus on emerging technology services to build high-margin Sales Pipeline & Order Book.
- Margin enhancement of established services businesses such as Multi Vendor Technology Services (MVTs) and Infrastructure Managed Services (IMS) through automation and tools combined with service variabilisation
- Increased depth of market focus through the creation of 4 sales verticals - each with a limited number of named accounts to be managed by highly experienced account owners.

New GTM structure aligned to evolving market demands and opportunities

Structure consists of 2 market-facing organizations – HCL Enterprise & HCL Partner

- 3 key business growth drivers:
- Focus on high-margin emerging technology services space
  - Margin enhancement of legacy services through Productization and service variablization
  - Depth-focused market approach strategy

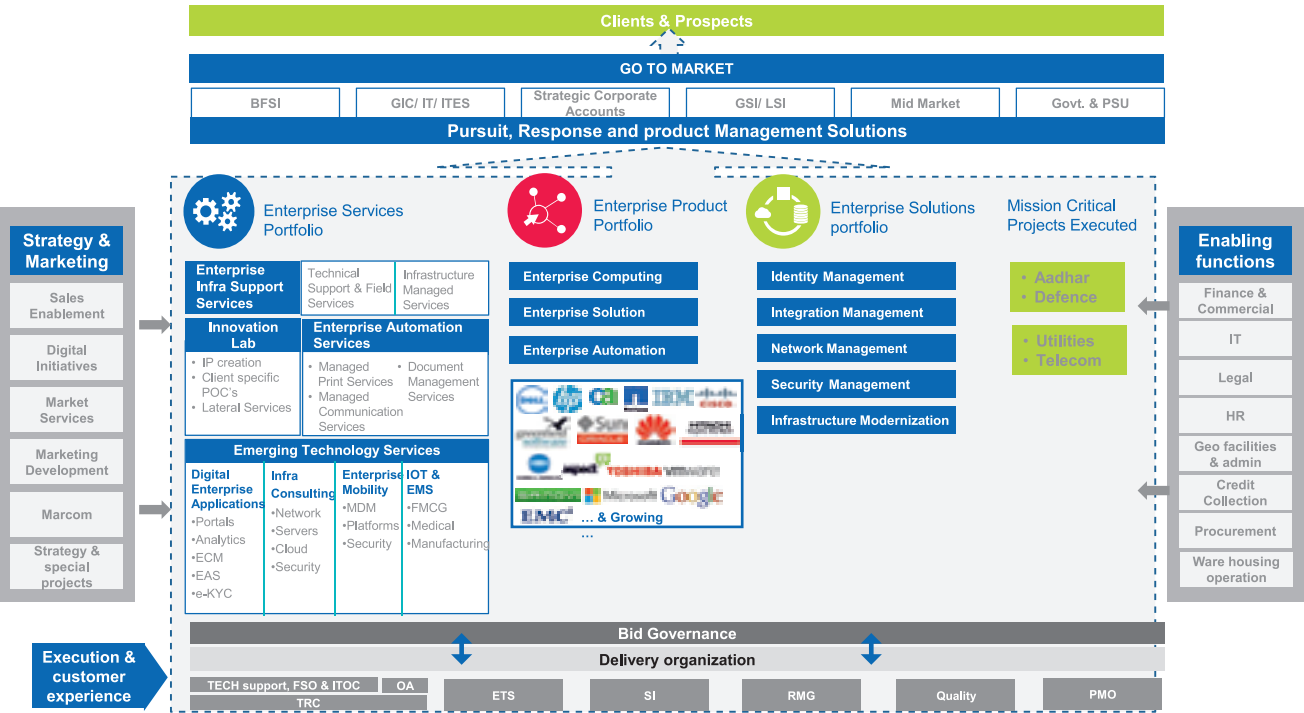


HCL Enterprise organization consists of the following Sales Verticals spanning corporate enterprises: BFSI/ IT/ ITeS/ Major System Integrators/ Strategic Corporate Accounts.

HCL Partner organization will address the Mid-market consisting of named accounts and the Small & Medium Business (SMB) market through its channel partner network.

Both organizations will sell the entire suite of HCL-I products, services and solutions. The diagram below showcases the Enterprise 360 GTM structure:

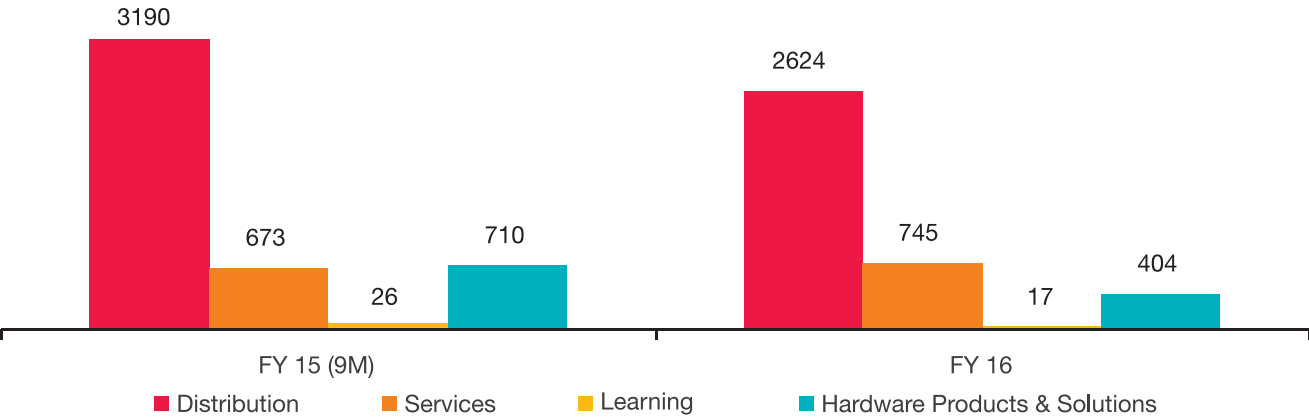
Enterprise 360° Capabilities & Offerings



Businesses Performance & Highlights

For the purpose of financial reporting, the businesses have been arranged as per the following primary business categories. The numbers provide a line of business-wise view based on management accounts to provide more granularity and are not as per reported segments:

Business Categories	Lines of Business
Distribution	Third-Party Consumer Products (including Telecom) & Enterprise Products
Services	Enterprise Services [Domestic, Care and Global Services (MEA and Singapore)]
Learning	Learning content business
Hardware Products and Solutions	System Integration and Financial Inclusion



18% Y-o-Y (9 months ended Mar'16) revenue decline due to:

- Consumer Distribution revenues impacted by weak demand and brand entries and exits
- By design, tapering down of SI revenues by accelerating project completion

The Enterprise Distribution business revenues grew 72% YoY



Revenues declined 18% Y-o-Y for 9 months ended Mar'16 (Jul-Mar'15 vs Jul-Mar'16) from Rs. 4509 crores to Rs. 3718 crores. The prime factors were:

- 32% decline in Consumer Distribution revenue due to weak demand environment for the product portfolio and the sector going through significant brand entries and exits.
- In the SI business we are in the process of executing our existing engagements. Consequently the revenues are being gradually tapered down, resulting in a Y-o-Y decline of 36%.

However the renewed focus on the Enterprise Distribution and Enterprise Services business (hereafter referred as "Enterprise business") witnessed significant positive traction notching 72% and 11% Y-o-Y growth rates respectively. The Enterprise business also formed strategic alliances with major OEMs, further enhancing its future growth potential.



Distribution Business – Consumer & Enterprise

The total revenue from the distribution business declined by 18% from Rs. 3190 crores for 9 months FY 15 (Jul- Mar'15) to Rs. 2624 crores in FY 16 (9 Months).

- Enterprise Distribution records 72% Y-o-Y revenue growth
- Strengthened portfolio of OEMs and Channel partners
- Becomes exclusive pan-India distributor for all Microsoft devices
- Built unique capabilities to service customer orders through e-commerce portals and built robust partnerships with Microfinance institutions



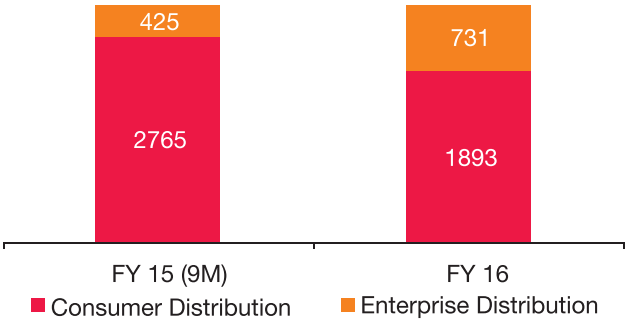
Your company’s continued focus on the Enterprise Distribution business, further enhanced by the Enterprise 360 GTM structure, is starting to show encouraging results. Strategic tie-ups with key OEMs and the value added framework is generating positive traction from the HCL-led Enterprise and Mid-markets and the Partner-led SMB sectors.

During FY’16 the Enterprise Distribution business generated revenues of Rs. 731 Crores as compared to 9 Months FY’15 revenue of Rs. 425 Crores. This represents a 72% Y-o-Y growth backed by significant new strategic alliances.

The business continued its focus on leveraging the Value-Added Distribution model, enhancing OEM/ Product portfolio and expanding the channel partner network.

Consumer Distribution revenues declined Y-o-Y by 32%. Revenue for FY’16 was Rs.1893 Crores compared to Rs.2765 Crores for the 9 months of FY’15. In recognition of the value of the relationship, the Principal has accorded pan-India exclusive distributor status to HCL for one its latest major global mobility product range. However, the Consumer Distribution business was impacted by weak demand environment for the product portfolio and the sector going through significant brand entries and exits.

The Consumer Distribution business has continued to strengthen its Channel-led initiatives, creating unique capabilities in e-commerce portals and building robust partnerships with Microfinance Institutions.



Services Business

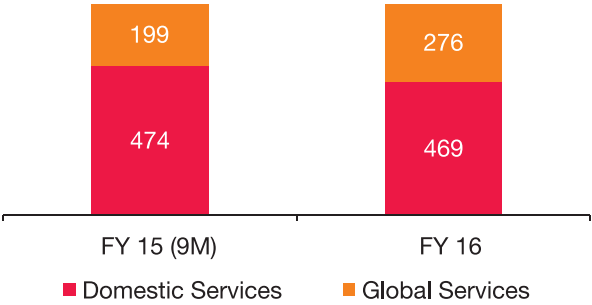
The total revenue from the Services business increased by 11 % from Rs. 673 crores for 9 months FY 15 (Jul- Mar'15) to Rs. 745 crores in FY 16 (9 Months).

The Domestic and Global Enterprise Services business are key focus areas for your Company going forward. However, while the Global Services business grew by 39% Y-o-Y, the domestic Enterprise Services revenues was nearly flat, primarily due to new focus to build the Enterprise Consulting Services practice and exiting from the low margin engagements.

In both domestic and global markets, the company achieved significant new client wins supported by continued focus and investments in service excellence and emerging technologies.

The Global business continues to show growth in both revenue and profitability. The Singapore operations won prestigious End User System Tech Refresh and Operating System Upgrade projects. MEA bagged important Data Centre transformation and Managed Services deals as well as a significant IT consulting assignment from the Middle East operations of an insurance major. The Global business in Singapore and MEA bagged several important Government and private sector projects during the financial year.

The emerging services space of Infra-application integration, Cloud and IoT have started to generate significant high-margin sales pipeline.



Services business enhanced capabilities in Emerging Technologies but marginally declines in domestic Y-o-Y revenues due to proactive exit from low margin contracts

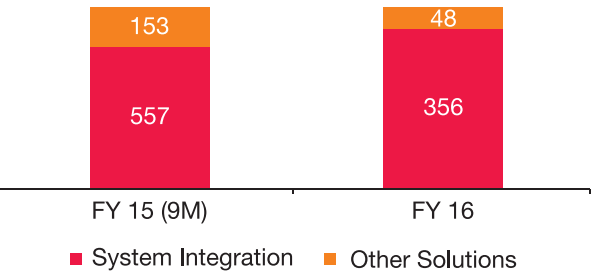
Major customer wins in the Microsoft, Cloud, Mobility & BFSI business

Global Services grows in revenue and profitability & wins major consulting assignment from the MEA operations of an insurance major



Hardware Products and Solutions – System Integration and Financial Inclusion

The total revenue from the hardware products and solutions business declined by 43% from Rs. 710 crores for 9 months FY 15 (Jul- Mar'15) to Rs. 404 crores in FY 16 (9 Months).





System Integration

- Continued focus on efficient project execution and current asset management
- 100 crore unique identities generated in the Aadhaar Card Project
- Major Defense and Power projects are progressing towards commercial closure

Financial Inclusion

- 29% Y-o-Y growth in revenue
- Contract with a partner to setup e-Mitra Service Centers in Rajasthan



The System Integration business continues to focus on efficient execution of the current order book, including major mission-critical projects with the Government and Defense sectors. The Unique Identification Authority of India project achieved the historic milestone of crossing 100 Crore Aadhaars. Major Defense and Power Projects are progressing towards commercial closure. HCL Infotech was felicitated at the 11th Elets Annual eINDIA Summit 2015 for creating World Class IT Infrastructure transforming e-Governance in Madhya Pradesh.

The Financial Inclusion business registered a 29% Y-o-Y growth. The business leveraged its vast Business Correspondent Agents (BCA) network to provide low-cost financial services to sizeable segments of the unbanked and under-banked population. The business signed a contract with a partner to setup e-Mitra Service Centers in Rajasthan, along with the additional mandate from a Public Sector Bank to increase Kiosk locations. The business continued its technological innovations for financial inclusion, such as introducing RuPay Card functionality for a customer and Aadhaar Login for the BCA network. The business received ISO certifications for Software Research & Development, Marketing, Implementation and Support ISO Certification as well as for maintaining legacy of 11 straight years of process excellence accreditation.

Learning – Learning content business

HCL Learning bagged a special honour for its flagship product – DigiSchool - at the India Didactics Association (IDA) Awards, 2015. HCL Learning was felicitated with this award for excellence in product/ solution in K-12 education.

The exit from the hardware component of the learning offering had a natural top-line impact of a Y-o-Y revenue decline of 35%.

In light of the growing trend of training and certification directly by OEMs through digital platforms, the Career Development Centre (CDC) line of business is being transitioned from the franchisee format to an owner-operated model.

HCL Infosystems – FY 16 Financial Brief

The Company generated consolidated revenues of Rs. 3718 Crores. The operating profit/ (loss) before provisions for doubtful debts is Rs. (52) Crores.

The content-focused, asset light Learning business model adversely impacted FY'16 revenues

Recognized for DigiSchool at the India Didactics Association



Quality Initiatives

The financial year 2015-16 was marked by process capability & maturity enhancement by adopting CMMI –SVC 1.3 model. Lead assessor from CMMI institute conducted the appraisal (ID: 25956) and declared the 'service management system' maturity at Level3.

Annual Customer Satisfaction measurement (C-SAT) for stakeholders and end users for Global Services recorded significant improvement in ratings. Further, the organisation worked towards implementation of Net Promoter System (NPS), with chosen members across functions trained by Satmetrix USA. Piloting of NPS program has been completed in Services & Distribution businesses. Full implementation for key clients is planned in FY16-17. Unified Escalation Desk, an effective tool to resolve customer issues and enhance customer experience, was further improved by automating dashboard publishing of escalations.

On the Continual Service Improvement front, more than 300 employees were trained on Lean Six Sigma. Joint Quality Improvement projects with prestigious Clients were successfully completed. The Company's Qkconnect Program (to build a Quality Culture and enable customer centricity across the organization) is progressing on track, completing 8 successful sessions in 6 locations pan-India covering 260 employees from Delivery and enabling functions.

During the year, 'Customer Experience Management—Master class' program was designed to enhance customer experience management skills of front line employees.

The Company launched 'GQFD' practices to monitor and track the performance of each project/account under four dimensions - Governance, Quality, Financial & Delivery. Various initiatives like Continual Service Improvements (CSI), Immediate Action Reports (IAR) and Early Warning Reports (EWR) are well supporting the implementation and successful outcome of the GQFD practice.

The Quality team initiated a 'Quality Improvement Council Platform' to share best practices among all the enabling functions, identify high impact improvement projects and continuously monitor the improvement progress on Process, People and System on a regular basis.

On the System Certification front, the Company successfully achieved the continuation of Service Management System (SMS) - ISO 20000-1 for Enterprises Service Business, Quality Management System (QMS) – ISO 9001 for Enterprise Distribution, System Integration -Project Management Office, Multi Vendor Technology Support, Office Automation Services, Care & Global Services, Information Security Management System (ISMS) - ISO 27001 for Noida Data Centre, Global Services & IT Operation Center (ITOC) and Environment Management System (EMS) -ISO 14001 for Repair Centre (HCL Care).

This year the Company launched separate Integrated Quality Management System (iQMS) portals for different subsidiaries. The Quality function was felicitated with several awards, including National Quality Excellence Award for 'Best Operational Process'; 'Best Achievement of Integrating Lean and Six Sigma, 2015' at the global awards for Excellence in Quality Management & Leadership by World Quality Congress; 'Quality Excellence Award for Excellence in Learning Outcomes, 2015' by World Education Congress in July 15; and Excellence Award for 'Business improvement through C-SAT improvement' for Global services.

Company's Service management Model assessed at CMMI Level 3

NPS initiative roll-out in progress:

- Core group trained and certified as NPS Practitioners by Satmetrix USA
- Sample surveys carried out for select clients and partners

Enhancement of Unified Escalation Desk by automation of publishing escalation dashboards

Over 300 employees trained on Lean Six Sigma

Awards

- National Quality Excellence Awards for 'Best Operational Process'
- 'Best Achievement of Integrating Lean and Six Sigma, 2015' at the global awards for Excellence in Quality Management & Leadership by World Quality Congress
- 'Quality Excellence Award for Excellence in Learning Outcomes, 2015' by World Education Congress
- Excellence Award for 'Business improvement through C-SAT improvement' for Global services.





HCL Business Risks & Mitigation Measures

Risk management programme (ERM) involves risk identification, assessment and risk mitigation planning for strategic, operational and compliance related risks across business units and functions

Risk Measurement is done through well-defined metrics that are linked to the outcome. Periodic monitoring of risk is done by tracking the identified metric



Performance of our various businesses can get impacted by various risks posed by the external environment. Your Company continuously revisits the Enterprise Risk Management (ERM) framework and strengthens it to address various risks to our businesses. The risk management programme (ERM) involves risk identification, assessment and risk mitigation planning for strategic, operational and compliance related risks across business units and functions.

Risk Measurement is done through well-defined metrics that are linked to the outcome. Periodic monitoring of risk is done by tracking the identified metric. Based on the overall risk performance, the mitigation action is refined and re-planned. The ERM framework forms an integral part of the quarterly management reviews.

The following table provides a glimpse of some of the key risks and their mitigation measures that the Company tracks regularly at an overall level (in addition to the individual business risks tracked at the individual business level):

S.No.	Risk Category	Risk Description	Mitigation Action Plan
1	Treasury Risk	Hardening of interest rate increases costs, particularly for high working capital cycle businesses  High cost of borrowing with any fall in credit rating	Daily/Weekly cash flow management to reduce need for borrowings  Meet WC related borrowings through appropriate supplier credits  Improve business performance
2	Human Capital Risk	As the job market heats up, there can be a potential increase in employee attrition, increasing cost as well as operational issues specially in businesses that are people dependent (all service businesses)  Undesirable attrition	Comprehensive employee engagement program  Succession Planning  Compensation plans
3	Regulatory Risk	Non- compliance to Labour, Fiscal & Environmental Laws  Criminal Liabilities / Stiff Penal Provisions (e.g. High Penal interest on default in payment of Service Tax)	A checklist of regulatory compliances for each key manager and monthly/quarterly compliance certification by each relevant manager  Periodic self-assessment & audit

S.No.	Risk Category	Risk Description	Mitigation Action Plan
4	Disruptive Technology & Changes in Consumer Preferences	A technology business is always exposed to sudden and unanticipated technology disruptions. This exposes the Company to product obsolescence and potential missing out on business opportunities	Identify future technology trends and select some of them to set up a beachhead (e.g. cloud, Mobility, Analytics etc.)  Periodic audit to keep a check on inventory in entire supply chain & products exposed to rapid technology churn
5	Changes in Portfolio or Health of major Distribution Partners or Vendors	High degree of dependence on a particular supplier or Business Partner, exposes us to swings in the business based on performance of vendor/ partner (e.g. Microsoft in our Distribution business)	Portfolio diversification in Distribution business  Vendor diversification to ensure dependence on a single supplier is eliminated wherever possible
6	Fixed Cost pressure due to Restructuring / Market Environment	Drop in sales and GM earned while fixed costs in the business remain fixed	Constant review of fixed costs  Optimize or variablize fixed costs to the extent possible
7	Customer Credit Risk	Customer default in payments (especially channel partners, private schools, Government/ PSUs)	Credit controller to approve bids to Enterprise/ Government/ SMB customers with a clear NO-GO on 'Restricted Parties'  Credit Controller to approve credit limit for each channel partner  Credit Insurance of Credit offered to all the channel partners
8	Brand Positioning & Reputational Risk	Negative reports in media – print, online and social media, damaging customer and stakeholder perception	Pro-active engagement through positive news dissemination, increasing social media presence and resolving customer queries through social media
9	Business Continuity Plan (BCP)	Disruption in business operation due to any natural or manmade disasters	Data replication for SAP with RPO of 4 Hrs. at BCP Site.  Capacity enhancement to take care of 50% of operation load during disaster  DR strategy for other business applications, interfacing with SAP, to be formulized and periodically reviewed  Separate BCP is being prepared for every business

Internal Control Systems and their adequacy

The Company has put in place controls commensurate with the size and nature of operations. These have been designed to provide reasonable assurance with regard to recording and providing reliable financial and operational information, complying with applicable statutes, safeguarding assets from unauthorized use or losses, executing transactions with proper authorization and ensuring compliance of corporate policies. These processes are continuously reviewed and revised as a part of the iQMS framework.

The Company has an Internal Audit function designed to review the adequacy of internal control checks in the system which cover all significant areas of the Company's operations such as accounting and finance, procurement, employee recruitment, statutory compliances, IT processes, safeguarding of assets and their protection against unauthorized use, among others. The Internal Audit function performs the internal audit of Company's activities based on an Internal Audit plan, which is reviewed each year in consultation with the Audit Committee. The Audit Committee reviews the reports submitted by internal auditors. Suggestions for improvement are considered and the Audit Committee follows up on corrective action. Disciplinary action is taken, wherever required, for non-compliance to corporate policies and controls.

Human Resource Development

Over the past 40 years, HCL Infosystems has built an enviable track-record of talent acquisition & development and innovative People policies. In fact, today HCL Infosystems' alumni populate the senior management cadre of most major IT companies as well as other key industry segments. Our entrepreneurial heritage and culture has consistently enabled us to attract appropriate talent.

As on 31<sup>st</sup> March 2016, the employee strength of the Company stood at 4955. Besides full time employees the Company also engaged 5744 associates for various short term projects from time to time.

**Talent Acquisition:** During the year, the Company further strengthened the leadership team by inducting high-performing senior executives for key roles from globally reputed organizations. Consequently, the top management strata now comprises of a mix of internally grown and externally recruited managerial talent.

During the year, the Company focused on creating the leadership pipeline by introducing the SmarTeam (3 to 5 years work experience post-MBA from Tier 1 institutes), Senior Management Trainee (Tier 1 MBA campus hires) and Marketing & Sales Trainee (Tier 1 Engineering colleges) programme.

**Talent Development:** Aligned to the altered business configuration and focus, the Company made significant investments in skill & competency enhancements for individuals, work-teams and functions.

During the year, the Company completed 37,072 Man-days of trainings (3.3 Mandays/employee). In addition to classroom trainings, a blend of learning opportunities through online learning, live projects, on the job mentoring etc. was provided. Learning & Development was delivered through three programmes: iLearn – for Product Trainings, iWin – for Sales Trainings and iLead for Behavioral Development.

**GoldStandards.** – During the year, the Company rolled out PULSE (Personalised Unit Level Self Evaluation) across the organisation to help employees evaluate their weekly performance and take timely steps to ensure that they are able to demonstrate the critical behaviours that will help them achieve GoldStandards. in their business area. These behaviours,

namely, ownership, working to full potential and demanding the best from others, are evaluated through a set of 22 questions linked to the 7 drivers identified as critical to the organisation. This weekly self and manager evaluation, aimed at improving transparency and accountability in employee-manager transactions, are time-optimal and backed by a robust set of analytics that identify gaps and improvement opportunities at an organizational level.

**Talent Management & Engagement:** The Company continued investing in “HCL Value Club Programme”. This intervention is a comprehensive Total Rewards Package including L&D for identified critical talent for the business transformation initiative.

The organization executed action planning for the employee engagement survey 'MyVoice', conducted in May'15 this year. Key focus areas for action planning were: Rewards & Recognition, Learning & Development and Team cohesiveness. Following interventions have been made to address the same:

- Business Unit and Corporate level drive towards Learning and Development
- Design and execution of recognition programs
- Ongoing communication via “Candid Conversation” sessions with Executive Vice Chairman and Managing director, Townhalls, Open House Forums, Skip level meetings, HR connect etc.

Roll-out of PULSE in GoldStandards. Programme aimed at transforming individual performance through appropriate attitude and behaviour

Attrition for the year was 15.45% - in line with industry norms

Revival of the Senior Management Trainee (SMT) Programme attracting talent from Tier 1 B-Schools

Roll-out of SMT ++ Programme – SmarTeam (3-5 Years work experience in global brand companies post Tier 1 MBA)



DISCLAIMER

Certain statements made in this report relating to the Company's objectives, projections, outlook, estimates, etc. may constitute 'forward looking statements' within the meaning of applicable laws and regulations. Actual results may differ from such estimates or projections etc., whether expressed or implied. Several factors including but not limited to economic conditions affecting demand and supply, government regulations and taxation, input prices, exchange rate fluctuation, etc., over which the Company does not have any direct control, could make a significant difference to the Company operations. The Company undertakes no obligation to publicly update or revise any forward looking statements, whether as a result of new information, future events, or otherwise. Readers are cautioned not to place undue reliance on any forward looking statements. The MD&A should be read in conjunction with the Company's financial statements included herein and the notes thereto. Information provided in this MD&A pertains to HCL Infosystems Limited and its subsidiaries on a consolidated basis, unless otherwise stated.



Company headcount on 31st March 2016 – 4955 (5%+ reduction Y-o-Y)

Leadership team further strengthened by induction of senior management talent from globally reputed organizations



## Financial Comments on consolidated operations for the year ended March 31, 2016

These financial statements have been prepared in accordance with the generally accepted accounting principles in India under the historical cost convention on accrual basis. Pursuant to Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014, till such time the Standards of Accounting or any addendum thereto are prescribed by Central Government in consultation and recommendation of the National Financial Reporting Authority, the existing Accounting Standards notified under the Companies Act, 1956 shall continue to apply. Consequently these financial statements have been prepared to comply in all material aspects with the Accounting Standards notified under Section 211(3C) (Companies Accounting Standards Rules, 2006, as amended) and other relevant provisions of the Companies Act, 2013.

Section 2(41) of the Companies Act, 2013 requires all the companies to have their financial year ending on 31<sup>st</sup> March. The Company has adopted this change from current financial year and accordingly, the current financial year of the company is for a nine month period from 1<sup>st</sup> July, 2015 to 31<sup>st</sup> March, 2016 (hereinafter referred as "Year ended 31<sup>st</sup> March, 2016"). Accordingly, the figures for the current financial year are not comparable to those of previous year.

The consolidated financial statements have been prepared in compliance with the Accounting Standard AS 21 on Consolidation of Accounts and presented in a separate section of the Annual Report.

The Management Discussion and Analysis on Financial performance relates to Consolidated Financial statements of the Company and its subsidiaries. This should be read in conjunction with the financial statements and related notes to the consolidated accounts for the year ended 31<sup>st</sup> March, 2016.

### RESULTS OF OPERATIONS

₹ Crores

Particulars	FY 16 (9 months - Audited)	FY 15 (9 months - Unaudited)	FY 15 (12 months - Audited)
<b>Revenue</b>	<b>3,718</b>	<b>4,509</b>	<b>6,220</b>
Cost of Sales	3,058	3,827	5,279
<b>Gross Margin</b>	<b>660</b>	<b>682</b>	<b>941</b>
Personnel Costs	464	430	582
Administration, Selling & Others	247	244	327
Depreciation	32	39	52
Interest income on Lease Rental	19	27	35
Exchange differences Loss/ (Gain)	4	6	6
Operating Other Income	16	4	4
<b>Operating Profit/ (Loss) before Doubtful Debts provision</b>	<b>(52)</b>	<b>(6)</b>	<b>13</b>

Particulars	FY 16 (9 months - Audited)	FY 15 (9 months - Unaudited)	FY 15 (12 months - Audited)
Provision for Doubtful Debts	38	69	98
Investment & Other Income	23	19	25
Borrowing costs	119	104	143
<b>Profit / (Loss) Before Exceptional Items and Tax</b>	<b>(186)</b>	<b>(160)</b>	<b>(203)</b>
Exceptional Items (Gain/ (Loss))	(67)	26	29
Tax Expense	1	9	11
<b>Profit/ (Loss) After Tax</b>	<b>(254)</b>	<b>(143)</b>	<b>(185)</b>

Note: 9 months denotes the period 1<sup>st</sup> July – 31<sup>st</sup> March

### Gross Business Income

Consolidated Revenues for the year FY 16 (9 months) was ₹ 3,718 crores as against ₹ 4,509 crores for nine months period ended on Mar'15. The decrease is mainly due to the weak demand environment for the product portfolio in consumer distribution business. The revenue in FY 15 was ₹ 6,220 crores.

### Gross Margin

Gross margin percentage increased by 263 bps to 17.7% in FY 16 as against 9 months ended Mar'15, mainly on account of change in revenue mix. In absolute terms, gross margin was ₹ 660 crores in FY 16 as against ₹ 682 crores in nine months period ended on Mar'15. The gross margin for FY 15 was ₹ 941 crores.

### Personnel Costs

Personnel costs was ₹ 464 crores in FY 16 as against ₹ 430 crores in nine months ended on Mar'15. The increase is mainly due to the effect of annual increase in salaries and additional manpower deployed in the overseas service business. The FY 15 cost was ₹ 582 crores.

### Administration, Selling and Other Expenses

Administration, Selling & other expenses were ₹ 247 crores in FY 16 as against ₹ 244 crores in nine months period ended on Mar'15. The FY 15 cost was ₹ 327 crores.

### Depreciation

Depreciation was ₹ 32 crores in FY 16 as against ₹ 39 crores in nine month's period ended on Mar'15. The FY 15 cost was ₹ 52 crores.

### Interest income on Lease Rental

Interest income on Lease Rental was ₹ 19 crores in FY 16 as against ₹ 27 crores in nine months period ended on Mar'15, in line with the reduction in the lease rent recoverable. The income in FY 15 was ₹ 35 crores. This income is operational in nature, on assets offered to our customers on a managed lease as a part of our offering in Solutions and Learning businesses.

### Operating Profit/ (Loss)

Operating Profit/ (Loss) before exceptional items and doubtful

## HCL INFOSYSTEMS

debts was ₹ (52) crores in FY 16 as against ₹ (6) crores in nine months period ended on Mar'15. The FY 15 operating profit was ₹ 13 crores.

### Provision for Doubtful Debts

Provisions for doubtful debts was ₹ 38 crores in FY 16 as against ₹ 69 crores in nine months period ended on Mar'15 and ₹ 98 crores in FY 15.

### Investment & Other Income

Investment & Other income in FY 16 were ₹ 23 crores as against ₹ 19 crores in nine months period ended on Mar'15 and ₹ 25 crores in FY 15.

### Finance Costs

Finance costs in FY 16 was ₹ 119 crores as against ₹ 104 crores in nine months period ended on Mar'15 and ₹ 143 crores in FY 15.

### Exceptional Items ₹ crores

Particulars	FY 16 (9 Months)	FY 15 (9 Months)	FY 15 (12 Months)
a. Inventory write off due to phasing out of a product line	-	5	5
b. Impairment of Goodwill	70	-	-
c. Profit on sale of Subsidiary	-	20	20
d. Profit on sale of properties	3	11	14
<b>Total (c+d-a-b)</b>	<b>(67)</b>	<b>26</b>	<b>29</b>

Net Gain/ (Loss) from Exceptional items was ₹ (67) crores in FY 16, as against ₹ 26 crores in nine months period ended on Mar'15 and ₹ 29 crores in FY 15.

### Tax Expense

Tax expense net of MAT credit was ₹ 1.3 crores in FY 16 as against ₹ 9 crores in nine months period ended on Mar' 15. Tax expense was ₹ 11 crores in FY 15.

### Profit/ (Loss) after Tax

Profit/ (Loss) after Tax for FY 16 was ₹ (254) crores as against ₹ (143) crores in nine months period ended on Mar'15 and ₹ (185) crores in FY 15.

### FINANCIAL POSITION ₹ crores

	As on 31.03.2016	As on 30.06.2015
<b>EQUITY AND LIABILITIES</b>		
Net Worth	1,008	1,258
Non Current Liabilities	580	271
Current Liabilities	1,932	2,418
<b>Total</b>	<b>3,520</b>	<b>3,947</b>
<b>ASSETS</b>		
Fixed Assets	731	811
Non-current Assets	335	274
Investments	50	235
Current Assets	2,404	2,627
<b>Total</b>	<b>3,520</b>	<b>3,947</b>

### Non Current Liabilities

Non Current Liabilities increased from ₹ 271 crores as at June 30, 2015 to ₹ 580 crores as at March 31, 2016, mainly due to increase in Bank borrowings and Term loans by ₹ 308 crores. The Company has tied up long term borrowings during the year and repaid a part of its short term borrowings.

### Net Borrowings ₹ crores

Particulars	As on 31.03.2016	As on 30.06.2015
Borrowings	1,303	1,251
Less : Investments	50	235
Less : Cash & Bank	218	134
<b>Net Borrowings</b>	<b>1,035</b>	<b>882</b>

The Net borrowings increased by ₹ 153 crores in FY 16 to ₹ 1035 crores from ₹ 882 crores as at June 30, 2015.

### Current Liabilities

Current Liabilities were at ₹ 1,932 crores as at March 31, 2016 as compared to ₹ 2,418 crores as at June 30, 2015. The details are as follows:

- Trade Payables (including acceptances) were lower by ₹ 185 crores, from ₹ 1073 crores as at June 30, 2015 to ₹ 888 crores as at March 31, 2016.
- Other Current Liabilities were lower by ₹ 109 crores, from ₹ 685 crores as at June 30, 2015 to ₹ 576 crores as at March 31, 2016 mainly due to decrease in current maturities of loan by ₹ 63 crores, and Statutory dues payable by ₹ 36 crores.
- The Short Term Borrowings were lower by ₹ 190 crores, from ₹ 644 crores as at June 30, 2015 to ₹ 454 crores as at March 31, 2016. The decrease is mainly due to commercial papers reduction of ₹ 175 crores.
- Short Term Provisions were ₹ 16 crores as at June 30, 2015 as against ₹ 15 crores as at March 31, 2016.

### Fixed Assets

Fixed Assets as at March 31, 2016 were ₹ 731 crores including Goodwill on consolidation as against ₹ 811 crores in FY 2015. The reduction is mainly due to impairment of Goodwill for ₹ 70 crores in Learning business.

### Non Current Assets

Non- Current Assets were at ₹ 335 crores as at March 31, 2016 as compared to ₹ 274 crores as at June 30, 2015. The details are as follows:

- Lease rent recoverable, was at ₹ 86 crores as at March 31, 2016 as against ₹ 153 crores as at June 30, 2015.
- Long Term Loans and Advances increased by ₹ 129 crores from ₹ 120 crores as at June 30, 2015 to ₹ 249 crores as at March 31, 2016, mainly due to increase in advance tax/ TDS and deposit with authorities against indirect tax litigation.

### Investments

Investments in mutual funds as at March 31, 2016 were ₹ 50 crores as compared to ₹ 235 crores as at June 30, 2015.

### Inventories

Inventories as at March 31, 2016 were ₹ 214 crores as against ₹ 255 crores as at June 30, 2015.



## Trade Receivables

Debtors as at March 31, 2016 were ₹ 931 crores as against ₹ 871 crores as at June 30, 2015.

## Cash and Bank

Cash in hand & Balances with Bank in collection / disbursement accounts and term deposits was ₹ 218 crores as at March 31, 2016 as against ₹ 134 crores as at June 30, 2015.

## Other Current Assets

Other current assets decreased by ₹ 288 crores from ₹ 1147 crores as at June 30, 2015 to ₹ 859 crores as at March 31, 2016. Mainly due to the followings:

- Contracts in progress for Systems integration projects decreased by ₹ 239 crores from ₹ 932 crores as at June 30, 2015 to ₹ 693 crores as at March 31, 2016.
- Accrued revenue to be billed decreased by ₹ 37 crores from ₹ 111 crores as at June 30, 2015 to ₹ 74 crores as at March 31, 2016.
- Lease rent recoverable decreased by ₹ 12 crores from ₹ 103 crores as at June 30, 2015 to ₹ 91 crores as at March 31, 2016.

## CASH FLOW STATEMENT

₹ crores

Particulars	FY 16 (9 months)	FY 15 (12 months)
Operating Profit/(Loss) before working capital changes	(39)	58
Changes in working capital	(86)	(425)
Taxes (Paid)/Received (Net of Tax Deducted at Source)	(3)	(2)
Cash from Operating Activities	(128)	(369)
Cash from/(used in) Investing Activities	263	287
Cash from/(used in) Financing Activities	(61)	(2)
<b>Net Increase/ (Decrease) in Cash and Bank Balances</b>	<b>74</b>	<b>(84)</b>

Cash inflow from investing activities was ₹ 263 crores in FY 16, mainly inflow from net sale of Investments ₹ 189 crores and Lease Rent Recoverable ₹ 75 crores.

Cash outflow from financing activities was ₹ 61 crores in FY 16, primarily representing Interest paid ₹ 113 crores and increase in borrowings ₹ 52 crores.

## SEGMENT PERFORMANCE

### Segment Revenue

₹ crores

Particulars	FY 16 (9 Months)	FY 15 (9 Months)	FY 15 (12 Months)
Hardware Products and Solutions	419	711	958
Services	758	691	949
Distribution	2,609	3,191	4,373
Learning	16	26	33
Inter-Segment Elimination	(84)	(110)	(118)
Other Operating incomes	-		25
<b>Total</b>	<b>3,718</b>	<b>4,509</b>	<b>6,220</b>

## Hardware Products and Solutions

Hardware Products & Solution business comprise of sale of IT products & solutions to enterprise and government customers. Segment revenue in FY 16 was ₹ 419 crores as against ₹ 711 crores in nine months period ended on Mar'15. FY 15 revenue was ₹ 958 crores. In the SI business we are in the process of executing our existing engagements. Consequently the revenues have gradually tapered down resulting in a Y-o-Y decline.

Segment PBIT in FY 16 was ₹ (31) crores as against ₹ (95) crores in nine months period ended on Mar'15 and ₹ (105) crores in FY 15.

Capital employed in the segment as at March 31, 2016 was ₹ 987 crores as against ₹ 930 crores as at June 30, 2015, the increase is primarily due to higher vendor payment in System Integration business.

## Services

The Services business provides IT infrastructure managed services, multi vendor technical support, break-fix services, cloud services, enterprise application services, software development & support services, office automation maintenance services, managed print services and telecom & consumer electronics support services.

Segment revenue in FY 16 was ₹ 758 crores as against ₹ 691 crores in nine months period ended on Mar'15 and ₹ 949 crores in FY 15. The revenue has increased in both Domestic and Global Enterprise Services business.

Segment PBIT in FY 16 was ₹ (23) crores as against ₹ (6) crores in nine months period ended on Mar'15 and ₹ (10) crores in FY 15. The PBIT is lower on account of the revenue mix and manpower investments in the business.

Capital employed in the segment as at March 31, 2016 was ₹ 226 crores as against ₹ 219 crores as at June 30, 2015

## Distribution

The distribution segment consist of distribution of (a) Consumer Products including telecommunication, digital lifestyle products and consumer electronic & home appliances (b) Enterprise products including IT products, Enterprise software and Office Automation products

Segment revenue in FY 16 was ₹ 2,609 crores as against ₹ 3,191 crores in nine months period ended on Mar'15 and ₹ 4,373 crores in FY 15. The decline in Consumer distribution was higher than the growth in the Enterprise Distribution business.

Segment PBIT in FY 16 was ₹ 24 crores as against ₹ 54 crores in nine months period ended on Mar'15 and ₹ 74 crores in FY 15.

Capital employed in the segment as at March 31, 2016 was ₹ 25 crores as against ₹ 39 crores as at June 30, 2015.

## Learning

Learning business includes rendering training services and sale of educational digital content and related Hardware offerings for private schools, colleges and other education institutes and vocational training.

Segment revenue in FY 16 was ₹ 16 crores as against ₹ 26 crores in nine months period ended on Mar'15 and ₹ 33 crores in the FY 15.

Segment PBIT in FY 16 was ₹ (22) crores as against ₹ (23) crores in nine months period ended on Mar'15 and ₹ (29) crores in FY 15.

Capital employed in the segment as at March 31, 2016 was ₹ 22 crores as against ₹ 16 crores as at June 30, 2015.

# Report on Corporate Social Responsibility

## Introduction

Corporate Social Responsibility (CSR) at HCL Infosystems Limited is inspired by a vision of National transformation with strong commitment to sustainable growth. The Company has created business models to connect communities with technologies, alongside delivering long term shareholder value. The Company shall design and implement CSR programs that positively impact communities. The Company believes that creating shared value with stakeholder and communities shall enable drivers of growth. Our guiding principle is "Creating tomorrow's enterprise together".

## Our Approach

HCL Infosystems shall use following channels to drive its CSR initiatives:

- **Education & Skill development:** provide & facilitate quality of education to underprivileged children through the use of Information Communication Technology (ICT)
- **Community Development:** provide ICT support to health care, health awareness programs, support to integrated child development
- **Environment:** work towards sustainable sanitation and environment conservation
- **Special Projects:** Awareness Programs on Financial Inclusion for rural communities not covered under banking ambit

## Policy

- The Company is committed to preserve environment in and around its operational jurisdiction.
- The Company is committed to implement corporate social responsibility programs at touch points where we operate. This is for ensuring the long term sustainability of such interventions.
- The Company supports organizations / institutions engaged in building linkages with local, regional and rural communities & markets.
- The Company is committed to align its corporate social responsibility with communities and institutions so as to contribute in sustainable development by adopting innovations and technologies for improving health care, education and financial inclusion.
- The Company is committed to engage in affirmative action interventions expanding skill development & vocational trainings, so as to generate livelihoods for disadvantaged sections of society.
- The Company shall align and integrate the corporate social responsibility programs with the business process of the Company and make them outcome oriented.
- The Company shall sustain and continuously improve standards of environment, health and safety through collective endeavor of the Company and the employees at all levels.

- The Company shall endeavor to spend a minimum of 2% of the average net profits on corporate social responsibility programs. The corporate social responsibility corpus would also include any income arising from the corporate social responsibility activities and any surplus arising out of such activities.
- The Company declares that any surplus arising out of activities related to corporate social responsibility will not be accounted as business profits.

## CSR Committee Membership and Organization

- The Committee shall be appointed by and will serve at the discretion of the Board. The Committee shall consist of no fewer than three (3) Director members with at least one (1) member being an independent Director of the Board.
- The members of the CSR committee shall be appointed by the Board.
- The members of the committee shall meet at least four times a year depending upon the necessity. Minutes of the meeting shall be submitted to the board.

## Committee Responsibilities and Authority

- Every year, the CSR committee shall place, a CSR plan outlining the CSR programmes to be carried out during the financial year and the specified budgets thereof for the Board's approval.
- The Board will consider and approve the CSR plan with any modification(s) that may be deemed necessary.
- The CSR committee shall assign the task of implementation of the CSR plan within specified budgets and timeframes to CSR operations team.
- The CSR operations team shall carry out such CSR programmes as determined by the CSR committee within the specified budgets and timeframes and report back to the CSR committee on the progress thereon on quarterly basis.
- The CSR committee shall review the implementation of the CSR programmes once a quarter and issue necessary directions from time to time to ensure orderly and efficient execution of the CSR programmes in accordance with this Policy.
- At the end of every financial year, the CSR Committee shall submit its report to the Board.
- The Committee shall review and reassess the adequacy of this charter annually and recommend any proposed changes to the Board for approval.

The policy is available on the website of the Company: <http://www.hclinfosystems.in/sites/default/files/CSR-policy-final.pdf>

## Social Responsibility & Community Development

Being a socially responsible and sensitive corporate citizen is an integral part of your Company's business model. The average profit of the Company for the last three years is



negative but still the Company has undertaken various CSR activities and has organized several activities for employees to contribute towards the underprivileged sections of society. Your Company continues to be committed to equal opportunities and non-discrimination towards all employees.

### Employee Volunteering

Your Company continues to encourage employees to volunteer and contribute to various social causes.

- HCL Employees donated clothes and stationery to 'Goonj', an NGO that works towards welfare of under-privileged children.
- HCL supported the cause of *Antarkranti*, an NGO which works towards Prisoners' Rehabilitation & Reformation, benefiting 500 inmates of Tihar Jail. Stalls were set up to sell products made by Tihar Jail inmates
- *Sukarya*, an NGO which works for Women & Child welfare in villages of India, set up stall in HCL office for selling products manufactured by underprivileged women. The initiative received an encouraging response from the employees.
- *Hope Foundation and SWABALAMBAN*, NGOs which works for the welfare of underprivileged women in Indian villages, set up stall in HCL office for selling products manufactured by underprivileged women. The initiative received an encouraging response from the employees.
- Employees across HCL offices wholeheartedly contributed towards rehabilitation of Chennai Flood victims. The cloths & material collected was donated to the Goonj NGO, which was working on providing support to the victims.
- HCL donated 15 desktops to Rotary Club of Vellore, which were provided to the deserving and underprivileged children in rural area of Vellore.

### Statement on non-discriminatory employment policy of the business entity

**Equal Opportunities & Non Discrimination Policy:** According to this policy, HCL Infosystems does not discriminate against any employee or job applicant on the basis of race, color, religion, gender, age, sexual orientation, nationality, pregnancy status, marital status, family status and different ability. All employees or job applicants are judged on the principle of equal employment opportunity.

### Initiatives for Affirmative Action

Your Company is working towards ensuring equal opportunities to all sections of the society. As a part of its commitment to 'CII's Affirmative Action Code of Conduct', HCL Infosystems has taken proactive actions to provide equal opportunity for employability, training and mentoring to all sections of the society.

#### 1. The composition of the CSR committee:

The composition of the committee is as under:

S. No.	Name	Category
1	Ms. Sangeeta Talwar (Chairperson)	Independent & Non-Executive Director
2	Mr. Pawan Kumar Danwar (Member)	Non-Independent & Non-Executive Director
3	Mr. Dilip Kumar Srivastava (Member)	Non-Independent & Non-Executive Director

#### 2. Average net profit of the Company for last three financial years:

The average profit for last three financial years is negative.

#### 3. Prescribed CSR Expenditure (two per cent of the amount as in item 3 above):

Not required.

#### 4. Details of CSR spent during the financial year:

Not required, as the average profit for the last three financial years is negative.

#### 5. In case the Company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board report.

NA

#### 6. A responsibility statement of the CSR committee that the implementation and monitoring of CSR policy, is in compliance with CSR objectives and policy of the Company.

NA

### Environment Sustainability Report

#### Environment Management - Our Commitment to Social Responsibility:

Your Company believes in building a symbiotic relationship with manufacturers, consumers and recyclers with the aim to promote integration and sustainability in operations so that there is minimum stress on the environment.

Your Company over the years has integrated and innovated products for its customer's giving key emphasis on product life cycle management, commencing from sourcing, manufacturing to installation and recovery at the end-of-life of the product to ensure protection of the environment, health and safety of all stakeholders.

**Environment Management Policy under HCL ecoSafe** aims to encapsulate knowledge, awareness, and key developments on all environmental issues faced by today's world and to incorporate these in HCL's operations by assuring our commitment in delivering quality solutions, services and products.

**Information provided along with the product:** All the products carry adequate information on customer health and safety. Your Company mentions the hazardous constituents present in the product and describes the process for disposal of Waste of Electrical & Electronic Equipment (WEEE) in its information booklet. The symbol of crossed out wheeled bin placed on the product/product packaging indicates that the product should not be disposed in the municipal waste. The details on collection of e-waste and how to dispose old equipment is mentioned in detail on the website [www.hclinfosystems.com](http://www.hclinfosystems.com)

#### Electronic Waste Management:

The key objective of your Company's 'E-Waste Policy' aims at providing efficient and easy product recovery options to its



## HCL INFOSYSTEMS

consumers to facilitate responsible product retirement of all its manufactured Electrical & Electronic Equipment (EEE) products. Waste of Electrical & Electronic Equipment has been a subject of concern globally and nationally. Your Company believes that the manufacturers of electronic goods are responsible for facilitating an environment friendly disposal, once the product has reached the end of its life. The Company is no more in the manufacturing of products.

Recognizing the need to minimize the hazardous impact of e-waste on the environment, your Company has formulated a comprehensive program for the recovery and recycling of WEEE in an environmentally safe manner.

### **Separate Collection/Recovery:**

Your Company extends the recycling facility to its users regardless of the fact, when and where they have purchased the product. Your Company assures to all its customers that the entire process of recycling/disposal of WEEE will be carried out by an authorized recycling agency.

### **Green Bag Campaign:**

Under your Company's Green Bag Campaign we collect old equipment from your Company's customers across India.

We are not only reaching out to all our customers but are spreading awareness about proper recycling of electronic waste. We have witnessed positive improvement in e-waste collection since the last five years. Last year we have collected more than 35 Metric Tons (till 31<sup>st</sup> March 2016) of e-waste and have successfully disposed it through our Government approved Authorized Recycler.

### **Energy Management:**

Energy is one field where we have made a considerable improvement. Your Company is evaluating options on how to use more and more renewable sources of energy. HCL Green Data Centre at Head Office, Noida is the first Data Centre Building in India to be a LEED IC PLATINUM certified by the US-Green Building Council.

Mr. Premkumar Seshadri  
**Executive Vice-Chairman  
& Managing Director**

Ms. Sangeeta Talwar  
**Chairperson  
(CSR Committee)**

**Date : 17<sup>th</sup> August, 2016**  
**Place : Noida**



# Directors' Report

## To the Members,

Your Directors have pleasure in presenting their Thirtieth Annual Report, together with the Audited Accounts for the financial year ended (9 months) 31<sup>st</sup> March, 2016.

## Financial Highlights

(₹ in Crores)

Particulars	Consolidated		Standalone	
	2015-16 (9 Months)	2014-15	2015-16 (9 Months)	2014-15
Net Sales and other income	3,775.43	6,284.40	2,612.95	4,456.73
Profit before exceptional items Interest, Depreciation and Tax	(35.27)	(7.84)	103.45	176.74
Finance Charges	118.67	142.78	79.73	96.74
Depreciation and Amortization	31.98	51.90	4.12	6.87
Exceptional Items	(67.22)	28.94	(228.68)	(139.34)
Profit before Tax	(253.14)	(173.58)	(209.08)	(66.21)
Provision for Taxation: Current	1.56	5.50	1.19	4.68
Deferred Tax Expenses / (Credit)	(0.26)	5.62	–	–
Net Profit after Tax (Before Minority Interest)	(254.44)	(184.70)	(210.27)	(70.89)
Net Profit after Tax (After Minority Interest)	(254.44)	(184.70)	–	–
Profit available for appropriation	8.79	263.23	246.34	456.61
<b>Appropriations</b>				
Debenture Redemption Reserve	–	–	–	–
Interim Dividend	–	–	–	–
Proposed Dividend	–	–	–	–
Tax on Dividend (including Interim Dividend)	–	–	–	–
Transfer to General Reserve	–	–	–	–
Balance of Profit carried forward to next year	8.79	263.23	246.34	456.61

## Performance

In pursuance to the requirement of Section 2(41) of the Companies Act, 2013, the Company has changed its current financial year to end on 31<sup>st</sup> March, 2016. Accordingly, the current financial year is for 9 (nine) months period from 1<sup>st</sup> July, 2015 to 31<sup>st</sup> March, 2016. Hence, the figures for the current financial year (9 months) are not comparable with the figures of the previous year (12 months).

The consolidated net revenue of the Company for the 9 months period ended, 31<sup>st</sup> March 2016 was ₹ 3,775.43 Crores as against ₹ 6,284.40 Crores in the previous year. The consolidated loss before tax for the 9 months ended, 31<sup>st</sup> March, 2016 was ₹ 253.14 Crores as against ₹ 173.58 Crores in the previous year. The net revenue on standalone basis for the 9 months ended, 31<sup>st</sup> March, 2016 was ₹ 2612.95 Crores as against ₹ 4456.73 Crores in the previous year. The loss before tax for the 9 months ended, 31<sup>st</sup> March, 2016 was ₹ 209.08 Crores as against ₹ 66.21 Crores in the previous year.

Your Board of Directors do not recommend any dividend for the year under review.

## Operations

A detailed analysis and insight into the financial performance and operations of your Company for the year ended 31<sup>st</sup> March, 2016 (9 months), is appearing in the Management Discussion and Analysis, forming part of the Annual Report.

There is no change in the authorized share capital of the Company.

## Awards & Recognition

Your Company won Best Achievement of Integrating Lean and Six Sigma – 2015 at the **Global Awards for Excellence in Quality Management & Leadership** organized by **World Quality Congress**. Your Company was recognized for its contribution in different areas of Lean and Six Sigma such as Policies, Practices, Culture, Employee Involvement, Customer Involvement, Services and Benefits.

HCL Services Ltd., a subsidiary of your Company bagged the following awards this year:

- The Care Services business division of HCL Services Ltd. won the **Retailer of the Year in Mobile and**

**Telecom Services Category** at the **6<sup>th</sup> CMO Asia Retail Excellence Awards**. HCL Care Services was awarded for providing excellent end-to-end support services for various IT, Telecom and Consumer Electronics products across locations in India.

- The Care Services business division of HCL Services won the **CMO Asia Marketing Excellence Award for Marketing Excellence in Retail and Telecom Services Sector** at the Global Marketing Excellence Awards organized by CMO Asia and World Marketing Congress. HCL Care Services was awarded for providing excellent end-to-end support services for various product categories across locations in India.

HCL Infotech Ltd., a subsidiary of your Company, was felicitated at the 11<sup>th</sup> Elets Annual eINDIA Summit 2015 for creating World Class IT Infrastructure transforming e-Governance in Madhya Pradesh.

HCL Learning Ltd., a subsidiary of your Company, bagged a special honor for its flagship product – DigiSchool - at the India Didactics Association (IDA) Awards, 2015. HCL Learning was felicitated with this award for excellence in product/solution in K-12 education.

## Employee Stock Option Plan

### Employee Stock Option Scheme 2000

Pursuant to the approval of the Shareholders at an Extra-Ordinary General Meeting held on 25<sup>th</sup> February, 2000 for grant of options to the employees of the Company and its subsidiaries (the Scheme 2000), the Board of Directors had approved the grant of 31,90,200 options including the options that had lapsed out of each grant. Each option confers on the employee a right for five equity shares of ₹ 2/- each.

During the year under review, the Company had allotted 15,000 equity shares of ₹ 2/- each under the Scheme 2000.

### Employee Stock Based Compensation Plan 2005

Pursuant to the approval of Shareholders of the Company through a Postal Ballot, the result whereof was declared on 13<sup>th</sup> June, 2005, the Board of Directors had granted 33,35,487 options including the options that had lapsed out of each grant under the Employee Stock Based Compensation Plan 2005 (the Plan 2005). Each option confers on the employee a right for five equity shares of ₹ 2/- each at the market price as specified in the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999, on the date of grant.

## Credit Rating

The Credit rating by ICRA continued at 'A1', indicating the very strong degree of safety regarding timely payment of financial obligations to the Company's Commercial Paper program of ₹ 300 crores.

The current long term rating assigned by India rating to the Company is 'A-', indicating adequate degree of safety regarding timely servicing of financial obligations.

## Fixed Deposits

Your Company has not accepted/renewed any deposits from the public during the year and there were no fixed deposits outstanding either at the beginning or at the end of the year

## Listing

The equity shares of your Company are listed at the BSE Limited, Mumbai (BSE) and National Stock Exchange of India Limited, Mumbai (NSE).

Stock Exchange where HCL Infosystems Ltd. shares are listed	Scrip Symbol / Code
National Stock Exchange of India Ltd. (NSE)	HCL-INSYS
BSE Ltd. (BSE)	500179

The Company has paid the listing fee for the year 2016-2017 to BSE and NSE.

## Directors and Key Managerial Personnel (KMP)

There has been no change in the Board of Directors during the period under review.

In accordance with the provisions of the Companies Act, 2013 and the Articles of Association of the Company, Mr. Pawan Kumar Danwar, retires from office by rotation at the ensuing Annual General Meeting and being eligible, has offered himself for re-appointment. A brief resume, details of expertise and other directorships/committee memberships held by the above Director, form part of the Notice convening the Thirtieth Annual General Meeting.

## Committees of Board

Currently, the Board has 6 (Six) Committees: Accounts and Audit Committee, Nomination & Remuneration Committee, Stakeholders Relationship Committee, Corporate Social Responsibility (CSR) Committee, Finance Committee and Technology Committee. A detailed note on Committees is provided in the Corporate Governance Report.

## Board and Committees Evaluation

Pursuant to the provisions of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, a formal annual performance evaluation has been done by the Board of its own performance, the Directors individually as well as the evaluation of its Committees.

For evaluation, an online live Board Evaluation Tool was made accessible to all the Directors to give their feedback on the various parameters to access the performance of the Board, its Committees and the individual Directors including Independent Director. The feedback received from the Directors was used in evaluating the performance.

Independent Directors in their separate meeting have reviewed the performance of Non-Independent Directors and the Board as a whole. They also reviewed the performance of the Chairperson of the Company.



### Criteria/Policy on Appointment and Remuneration

The Board has, on the recommendation of the Nomination & Remuneration Committee (NRC) framed a criteria for appointment of Directors, Key Managerial Personnel/Senior Management. The Board has also adopted a remuneration policy for Directors, Key Managerial Personnel/ Senior Management and other employees. The criteria/policy on appointment and remuneration Policy are stated in the Corporate Governance Report.

### Board Meetings

During the financial year 2015-16, Seven Board Meetings were held and the gap between two meetings did not exceed one hundred and twenty days. The details of Board Meetings held are stated in the Corporate Governance Report.

### Corporate Social Responsibility (CSR)

A report on Corporate Social Responsibility (CSR) is attached as Annexure to this Report. The policy can be accessed on the website of the Company.

### Corporate Governance Report and Management Discussion and Analysis Statement

The Corporate Governance Report and the Management Discussion and Analysis Statement are attached and are to be read with the Directors' Report.

### Insider Trading Regulations

As per the requirements under the SEBI (Prohibition of Insider Trading) Regulations, 2015, the 'Code of Conduct for Internal Procedures and to Regulate, Monitor and Report Trading By Insiders' and the 'Code of Fair Disclosure' were adopted w.e.f. 15<sup>th</sup> May, 2015.

### Directors' Responsibility Statement

Pursuant to the requirement of Section 134(3)(c) of the Companies Act, 2013, and based on the representations received from the operating management, the Directors hereby confirm that:

- (a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
- (c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safe guarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (d) the directors had prepared the annual accounts on a going concern basis;
- (e) the directors had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.
- (f) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

### Particulars of Employees and related disclosures

The information required under Section 197 of the Act read with rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are given below:

#### (a) The ratio of the remuneration of each director to the median remuneration of the employees of the Company for the financial year:

Non-Executive Directors	Ratio to median remuneration	Remuneration (₹)
Dr. Nikhil Sinha	–	–
Mr. V.N. Koura	–	–
Dr. Pradeep Kumar Khosla	2.57	5,25,000
Ms. Sangeeta Talwar	8.82	18,00,000
Mr. Kaushik Dutta	7.72	15,75,000
Mr. Dharendra Singh	8.45	17,25,000
Mr. Pawan Kumar Danwar	–	–
Mr. Dilip Kumar Srivastava	–	–
Mr. Sanjeev Sharma	2.94	6,00,000
Ms. Ritu Arora	–	–

Executive Directors	Ratio to median remuneration	Remuneration
Mr. Premkumar Seshadri	–	–

#### Note:

1. No sitting fees is paid to Executive Director and Non-Independent Director.
- (b) **The percentage increase in remuneration of each Director, Chief Executive Officer, Chief Financial Officer, Company Secretary in the financial year:**

Mr. Premkumar Seshadri, Executive Vice Chairman & Managing Director is not paid any remuneration by the Company.

No remuneration, other than sitting fee was paid to Non-Executive and Independent Directors, which continued to be paid @ ₹ 75,000/- per Board/ Board Committee Meeting, as paid during the year 2014-15.

Ms. Ritu Arora has waived receipt of any sitting fees.

**(c) The percentage increase in the median remuneration of employees in the financial year:**

The percentage increase in the median remuneration of the employees in the financial year was 4.2%.

**(d) The number of permanent employees on the rolls of Company:**

The number of permanent employees on rolls of the Company at the end of the financial year were 4955.

**(e) The explanation on the relationship between average increase in remuneration and Company performance:**

On an average, employees received an annual increase of 7.2% in India. The individual increments varied from 3% to 12%, based on individual performance.

Employees outside India received wage increase varying from 3% to 4%. In order to ensure that remuneration reflects Company performance, the performance pay is also linked to organization performance, apart from an individual's performance.

**(f) Comparison of the remuneration of the key managerial personnel against the performance of the Company:**

Aggregate remuneration of Key managerial personnel (KMP) in FY16 (₹ crores)	1.72
Revenue (₹ crores)	2612.95
Remuneration of KMPs (as % of revenue)	0.066
Profit before tax (PBT) (₹ crores)	(209.08)
Remuneration of KMP (as % of PBT)	NA (in the view of loss)

**(g) Variations in the market capitalisation of the Company, price earnings ratio as at the closing date of the current financial year and previous financial year:**

	Market Capitalisation (in crores)		% Change
	31 <sup>st</sup> March, 2016	30 <sup>th</sup> June, 2015	
NSE	966.36	757.88	27.51
BSE	965.24	758.99	27.17
<b>Price Earning Ratio</b>	NA, as the Company incurred losses during the year ended 31 <sup>st</sup> March, 2016		

**(h) Percentage increase over decrease in the market quotations of the shares of the Company in comparison to the rate at which the Company came out with the last public offer:**

Not applicable, the Company has not made any public offer

**(i) Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration:**

- The Average Annual increase in India was around 7.2% and outside India was 3% to 4%
- Not Applicable for managerial remuneration, as no remuneration is paid to the Managing Director by the Company

**(j) Comparison of each remuneration of the Key Managerial Personnel against the performance of the Company:**

	Mr. Premkumar Seshadri	Mr. S.G. Murali	Mr. Sushil Kumar Jain
Remuneration in FY16 (₹ crores)	–	1.42	0.30
Revenue (₹ crores)	2612.95		
Remuneration as % of revenue	–	0.054	0.012
Profit before Tax (PBT) (₹ crores)	(209.08)		
Remuneration (as % of PBT)	NA, as the Company incurred losses during the year ended 31 <sup>st</sup> March, 2016		

**(k) The key parameters for any variable component of remuneration availed by the Directors:**

The Company has not paid any Commission to its Non-Executive Directors during the year under review.

**(l) The ratio of the remuneration of the highest paid Director to that of the employees who are not Directors but receive remuneration in excess of the highest paid director during the year:**

Not applicable, as no remuneration is paid to any Director, except the sitting fees which is paid only to the Non-Executive and Independent Director.

**(m) Affirmation that the remuneration is as per the remuneration policy of the Company:**

The Company affirms remuneration is as per the remuneration policy of the Company.

Annual Report is being sent to the members of the Company excluding the information under Rule 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. Any member interested in obtaining the said information may write to the Company Secretary at the registered office of the Company.



**Particulars of Loans, Guarantees or Investments**

Details of Loans, Guarantees and Investments covered under the provisions of Section 186 of the Companies Act, 2013 are given in the notes to the Financial Statements.

**Related Party Transactions**

All the related party transactions were in the ordinary course of business and at arm's length. The Audit Committee has approved all related party transactions under the provisions of section 188 of the Companies Act 2013 and other applicable sections of the Companies Act, 2013 read with relevant rules for the financial year 2015-16. The Company had not entered into any contract/ arrangement/ transaction with related parties which could be considered material in accordance with the policy of the Company on materiality of related party transactions.

Policy on dealing with related party transactions is available on the website of the Company. [http://www.hclinfosystems.in/sites/default/files/Policy\\_on\\_Related\\_party\\_transactions.pdf](http://www.hclinfosystems.in/sites/default/files/Policy_on_Related_party_transactions.pdf)

**Internal Control Systems**

Your Company has in place adequate internal financial controls with reference to financial statements. During the year, such controls were tested and no reportable material weakness in the design or operation were observed.

**Vigil Mechanism/Whistle Blower Policy**

Pursuant to the provisions of Section 177(9) & (10) of the Companies Act, 2013 and Regulation 22 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, a Vigil Mechanism/ Whistle Blower Policy for Directors and employee to report concerns about unethical behavior, actual or suspected fraud or violation of the Company's code of conduct or ethics policy. The said Policy is posted on the website of the Company and can be assessed at [http://www.hclinfosystems.in/sites/default/files/Whistleblower\\_Policy\\_2016.pdf](http://www.hclinfosystems.in/sites/default/files/Whistleblower_Policy_2016.pdf)

**Policy against Sexual Harassment**

The organization endeavors to ensure a safe, protected and congenial work environment where employees shall deliver their best without any inhibition, threat or fear. Hence, the prevention of sexual harassment at workplace policy has been evolved.

The Company has put in place a 'Policy on Prevention and Redressal of Sexual Harassment at Workplace' under the name of "With You". As per the policy, any employee may report his/her complaint to the supervisor or HR representative or member of the Committee or to the with you email-id 'withyou@hcl' in writing as mentioned.

The Committee would then investigate and submit its report within 45 working days. We affirm that adequate access was provided to any complainant who wished to register a complaint under the policy, during the year.

**Risk Management Policy**

The Board of the Company has adopted a risk management policy for reviewing the risk management plan and ensuring its effectiveness. The audit committee has additional oversight in the area of financial risks and controls. Major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuing basis.

The development and implementation of risk management policy has been covered in the management discussion and analysis, which forms part of this report.

**Auditors & Auditors' Report****Statutory Auditors**

M/s Price Waterhouse, Chartered Accountants, who are the statutory auditors of the Company, hold office until the conclusion of forthcoming Annual General Meeting. It is proposed to re-appoint M/s Price Waterhouse, Chartered Accountants as statutory auditors of the Company from the conclusion of forthcoming Annual General Meeting till the conclusion of thirty first (31<sup>st</sup>) Annual General Meeting to be held in the year 2017. They have confirmed their eligibility to the effect that their re-appointment, if made, would be within the prescribed limits under the Act and that they are not disqualified for reappointment. It is also proposed to authorize the Board of Directors to fix their remuneration.

The Auditors' Report does not contain any qualification, reservation or adverse remark.

**Secretarial Audit**

Pursuant to the requirements of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company had appointed M/s V. K. Chaudhary & Co., Practicing Company Secretaries (CoP4548) as the Secretarial Auditor for the year ended on 31<sup>st</sup> March, 2016. The Secretarial Audit report issued by M/s V. K. Chaudhary & Co., is attached separately to this report. The report does not contain any qualification, reservation or adverse remark.

**Additional information relating to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo**

The information on conservation of energy, technology absorption and foreign exchange earnings and outgo stipulated under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014, is attached as Annexure to this Report.

**Consolidated Financial Statement**

In accordance with the Companies Act, 2013 ("the Act") and Accounting Standard (AS) - 21 on Consolidated Financial Statements read with AS - 23 on Accounting for Investments in Subsidiaries/Associates/JVs and AS - 27 on Financial Reporting of Interests in Joint Ventures, the audited consolidated financial statement is provided in the Annual Report.



## HCL INFOSYSTEMS

### **Subsidiaries, Joint Ventures and Associate Companies**

A list of Subsidiaries/Associates/JVs is given in the Extract of Annual Return attached to this report.

Policy for determining material subsidiaries of the Company is available on the website of the Company at <http://www.hclinfosystems.in/sites/default/files/material-subsidiary-policy.pdf>

### **Extract of Annual Return**

The details forming part of the extract of the Annual Return in form MGT 9 is attached herewith as "Annexure to this Report".

### **Significant and Material Orders Passed by the Regulators or Courts**

There are no significant material orders passed by the Regulators / Courts which would impact the going concern status of the Company and its future operations.

### **Acknowledgements**

The Directors place on record their appreciation for the continued co-operation extended by all stakeholders including various departments of the Central and State Government, Shareholders, Investors, Bankers, Financial Institutions, Customers, Dealers and Suppliers.

The Board also places on record its gratitude and appreciation of the committed services of the executives and employees of the Company.

On behalf of the Board of Directors

Place : Noida  
Date : 17<sup>th</sup> August, 2016

Sd/-  
Nikhil Sinha  
(Chairman)



# Annexure to Directors' Report

**The information on conservation of energy, technology absorption and foreign exchange earnings and outgo stipulated under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014,**

## A. Conservation of Energy

Your Company has executed measures at its facilities to reduce power consumption. By implementing changes in the sitting arrangement in working areas, we were able to save approximately 180,000 units of electrical energy during the period ended 31<sup>st</sup> March, 2016 (saving of 21%), as compared to corresponding period last year.

## B. Research and Development

### 1. Product Innovation & Engineering

Your Company's Research & Development (R&D) unit "HCL Labs" was set up with a mission to give its businesses a competitive edge in their respective markets by enabling them to acquire new customers & increase customer retention.

Today we have three R&D centres with a total strength of nearly 35 people working in different spheres of technology. These centres are located at Chennai, Puducherry and Mumbai.

Your Company has all its R&D centres recognized by DSIR (Department of Scientific Industrial Research). These centres are working on development of new, relevant technologies in areas that are playing an important role in the growth story of India, such as bridging the digital divide, education, financial inclusion, asset management, energy efficiency etc.

The Puducherry R&D centre has been working towards building EMS & IOT products with the convergence of Operational technologies (Connected Things - Vehicles, equipment, devices and people to drive Smart Logistics, Manufacturing and Cities etc.).

- Unified Management System (UIM)
- Enterprise Infrastructure Management & Monitoring (EIM),
- Enterprise Asset Management (EAM)
- Enterprise Portal (EP)
- Enterprise IOT Platform
- Integrated Service Management (ISM)

Today ICT is an intrinsic part of infrastructure deployed to ensure uninterrupted connectivity

between organizations and various stakeholders including employees and customers. The operation and maintenance of such infrastructure demands tools & services which are capable of IT Infrastructure monitoring, Service Management as per ITIL v3 framework, predictive failure analysis, fault detection, power consumption optimization, management of assets and with relevant Business Intelligence.

To address these critical needs of enterprises & service providers, HCL Labs has developed an enterprise grade solution, which has now been renamed as **Maestro**.

Following are its features:

- Efficiently control & manage IT assets, non - IT assets in relationship with users across the organization
- Complete visibility into the IT & Operations across organizations.
- Maestro Common Dashboard which integrates all four Maestro Products and provides a single CIO Dashboard
- Convergence platform for Information technologies & Operational technologies

The team has created a roadmap to develop and introduce additional features & modules in the solution like IT Operational Analytics, IT Service Analytics and Enterprise Portal with Persona based dashboards extended on Smart gadgets Tabs & Mobile phones.

### 2. Expenditure on R & D (Consolidated)

	(₹ / Crores)
Capital	: 2.16
Revenue	: 9.81
<b>Total</b>	<b>: 11.97</b>

### 3. Technology Absorption, Adaptation and Innovation

HCL Labs has introduced yet another pioneering technology that enables banking for the unbanked in rural & urban migrant population in India, a huge challenge in the country that can be surmounted only with the use of technology. Building on a spectrum of technologies, the HCL Financial Inclusion (FI) framework is an end-to-end solution. Following are the key initiatives:

#### RuPay transactions:

RuPay is an Indian domestic card scheme

conceived and launched by the National Payments Corporation of India (NPCI). RuPay facilitates electronic payment at all Indian banks and financial institutions, and competes with MasterCard and Visa in India. Since the transaction processing of RuPay happens domestically, the cost of clearing and settlement for each transaction reduces. HCL has promoted the use of RuPay Card by successful integration of PCI-PTS secured Pinpads with HCL Handheld terminals. This has empowered the Business Correspondent Agents at remote locations to enable Customers to use RuPay Card for doing transactions.

#### **Aadhaar login for BCAs:**

In order to ensure security of the MicroATM login by Business Correspondent Agents (BCAs), HCL has enabled Aadhaar based login wherein the BCAs have to validate their Biometrics against the UIDAI database while powering on and initiating the device. This ensures an added level of security whereby only authenticated BCA would have access to the MicroATM.

#### **4. Foreign Exchange earning and outgo**

During the period under review, the Company's Standalone earnings in foreign currency were ₹ 0.88 Crores (Previous Year ₹ 3.03 Crores). The Standalone expenditure in foreign currency including imports during the year amounted to ₹ 2.03 Crores (Previous year ₹ 86.11 Crores).

Your Company has taken the following steps to increase its Foreign Exchange earnings:

HCL Infosystems MEA, the Company's subsidiary based out of Dubai won the following major orders:

- Bagged Consulting deal for Data Center

Transformation for a leading Insurance Company in UAE. The scope included Security Operation Centre (SOC) and Network Operation Center (NOC) deployment and operations worth AED 16.6 Million in terms of Annual Contract Value

- Bagged Upgradation Project of Computer Aided Facility Management System for a leading Government Organization in Qatar worth AED 1.4 Million in terms of Annual Contract Value
- Bagged Managed Print Services Project for all from a leading Telco for all its business Centers worth AED 2.13 Million of Annual Contract Value and AED 10 Million of Total Contact Value
- National Archives, a leading research and archival institution based in Abu Dhabi; one of the clients of your Company won Steve awards in 7 categories at global level for the internet and intranet portal implemented by your Company

HCL Insys Pte. Ltd., the company's subsidiary based out of Singapore won following major orders:

- Bagged LAN Remediation project worth SGD 3.6 Million to enable across all agencies of Singapore Government Network for deploying Network Access Control (NAC)
- Bagged End User System Tech Refresh and Operating System Upgrade Project from various agencies for more than SGD 5 Million
- Bagged 4 new projects from Government Agencies for Annual Contract Value worth SGD 0.5 Million
- Renewed contracts for Annual Contract Value worth over SGD 10 Million; completed with supplementary Net Addition of 7 to 10 %

## FORM NO. MGT.9

**EXTRACT OF ANNUAL RETURN****as on the financial year (9 Months) ended on 31<sup>st</sup> March, 2016****[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]****I. REGISTRATION AND OTHER DETAILS:**

i) CIN:-	L72200DL1986PLC023955
ii) Registration Date	17/04/1986
iii) Name of the Company	HCL Infosystems Limited
iv) Category / Sub-Category of the Company	Company having Share Capital
v) Address of the Registered office and contact details	806, Siddharth, 96, Nehru Place, New Delhi – 110019, Tel. No. 011 26444812
vi) Whether listed company	Yes
vii) Name, Address and Contact details of Registrar and Transfer Agent, if any	M/s. Alankit Assignments Limited 205-208, Anarkali Complex Jhandewalan Extension, New Delhi-110055 Tel. No. 011-42541234, 23541234 Fax No. 23552001 E-Mail : rta@alankit.com

**II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY**

All the business activities contributing 10 % or more of the total turnover of the company shall be stated:-

Sl. No.	Name and Description of main products/services	NIC Code of the Product/ service	% to total turnover of the company
1	Cellular Phones	46524- Wholesale of telephone, mobile phone and communications equipment and parts	74.29
2	Computers/ Micro Processor based systems	46511- Wholesale of computers and computer peripheral equipment	14.15
3	–	–	–

**III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES –**

S. NO	NAME AND ADDRESS OF THE COMPANY	CIN/GLN	HOLDING/ SUBSIDIARY/ ASSOCIATE	% of shares held	Applicable Section
1	HCL Services Limited (formerly known as HCL Care Limited)	U93000DL2012PLC242938	Subsidiary	100	2(87)(ii)
2	HCL Infotech Limited (formerly known as HCL System Integration Limited)	U72200DL2012PLC242944	Subsidiary	100	2(87)(ii)
3	HCL Learning Limited	U80900DL2012PLC242907	Subsidiary	100	2(87)(ii)
4	Digilife Distribution and Marketing Services Limited (formerly known as HCL Security Limited)	U72900DL2008PLC175605	Subsidiary	100	2(87)(ii)
5	Pimpri Chinchwad eServices Limited	U72200DL2010PLC208539	Subsidiary	85	2(87)(ii)
6	HCL Computing Products Limited	U72900DL2012PLC238730	Subsidiary	100	2(87)(ii)
7	HCL Insys Pte Limited, Singapore (Through HCL Services Limited)		Subsidiary	100	2(87)(ii)
8	HCL Investments Pte Limited, Singapore; (Through HCL Infotech Limited)		Subsidiary	100	2(87)(ii)
9	HCL Infosystems MEA FZE, Dubai (Through HCL Insys Pte Limited, Singapore)		Subsidiary	100	2(87)(ii)
10	HCL Infosystems LLC, Dubai; (Through HCL Infosystems MEA FZE, Dubai)		Subsidiary	49	2(87)(i)



S. NO	NAME AND ADDRESS OF THE COMPANY	CIN/GLN	HOLDING/ SUBSIDIARY/ ASSOCIATE	% of shares held	Applicable Section
11	HCL Infosystems MEA LLC Abu Dhabi (Through HCL Infosystems MEA FZE, Dubai)		Subsidiary	49	2(87)(i)
12	HCL Infosystems Qatar WLL, Qatar (Through HCL Infosystems MEA LLC, Abu Dhabi)		Subsidiary	49	2(87)(i)
13	HCL Infosystems South Africa Pty Limited, South Africa (Through HCL Investments Pte Limited, Singapore)		Subsidiary	100	2(87)(ii)
14	HCL Touch Inc., US (Through HCL Services Limited)		Subsidiary	100	2(87)(ii)
15	Nokia HCL Mobile Internet Services Limited	U74900DL2009PLC188379	Associate	49	2(6)

IV. SHARE HOLDING PATTERN (Equity Share Capital Break up as percentage of Total Equity)

i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year (As on 30 <sup>th</sup> June, 2015)				No. of Shares held at the end of the year (As on 31 <sup>st</sup> March, 2016)				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
(1) <b>Indian</b>									
a) Individual/ HUF	22,65,808	–	22,65,808	1.02	22,65,808	–	22,65,808	1.02	–
b) Central Govt	–	–	–	–	–	–	–	–	–
c) State Govt (s)	–	–	–	–	–	–	–	–	–
d) Bodies Corp.	12,71,12,036	–	12,71,12,036	57.02	12,71,12,036	–	12,71,12,036	57.02	–
e) Banks/FI	–	–	–	–	–	–	–	–	–
f) Any Other..	–	–	–	–	–	–	–	–	–
<b>Sub-total (A) (1):-</b>									
(2) <b>Foreign</b>									
a) NRIs-Individuals	–	–	–	–	–	–	–	–	–
b) Other-Individuals	–	–	–	–	–	–	–	–	–
c) Bodies Corp.	–	–	–	–	–	–	–	–	–
d) Banks / FI	–	–	–	–	–	–	–	–	–
e) Any Other....	–	–	–	–	–	–	–	–	–
<b>Sub-total (A) (2):-</b>									
<b>Total shareholding of Promoter (A) = (A)(1)+(A)(2)</b>	<b>12,93,77,844</b>	<b>–</b>	<b>12,93,77,844</b>	<b>58.04</b>	<b>12,93,77,844</b>	<b>–</b>	<b>12,93,77,844</b>	<b>58.04</b>	<b>–</b>
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>									
a) Mutual Funds	27,79,539	10,750	27,90,289	1.25	6,367	10,750	17,117	0.01	–1.24
b) Banks/FI	40,04,827	7,750	40,12,577	1.80	42,39,120	7,750	42,46,870	1.90	0.10
c) Central Govt	–	–	–	–	–	–	–	–	–
d) State Govt(s)	–	–	–	–	–	–	–	–	–
e) Venture Capital Funds	–	–	–	–	–	–	–	–	–
f) Insurance Companies	–	–	–	–	–	–	–	–	–
g) FIs	79,90,902	500	79,91,402	3.59	10,39,561	500	10,40,061	0.47	–3.12
h) Foreign Venture Capital Funds	–	–	–	–	–	–	–	–	–
i) Others (specify)	–	–	–	–	–	–	–	–	–
Foreign Portfolio Investor	1,69,819	–	1,69,819	0.08	26,92,918	–	26,92,918	1.21	1.13
<b>Sub-total (B)(1):-</b>	<b>1,49,45,087</b>	<b>19,000</b>	<b>1,49,64,087</b>	<b>6.72</b>	<b>79,77,966</b>	<b>19,000</b>	<b>79,96,966</b>	<b>3.59</b>	<b>–3.13</b>

Category of Shareholders	No. of Shares held at the beginning of the year (As on 30 <sup>th</sup> June, 2015)				No. of Shares held at the end of the year (As on 31 <sup>st</sup> March, 2016)				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>2. Non-Institutions</b>									
a) Bodies Corp.									
i) Indian	1,28,45,523	14,33,630	1,42,79,153	6.41	1,58,74,643	14,33,380	1,73,08,023	7.76	1.35
ii) Overseas	70,000	–	70,000	0.03	70,000	–	70,000	0.03	–
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	4,24,86,018	16,15,619	4,41,01,637	19.78	4,85,35,710	15,80,038	5,01,15,748	22.48	2.70
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	1,83,00,964	86,625	1,83,87,589	8.25	1,54,85,651	86,625	1,55,72,276	6.99	–1.26
c) Others (specify)									
i) NRI	16,28,314	7,000	16,35,314	0.73	24,01,997	7,000	24,08,997	1.08	0.35
ii) Trust	87,000	5	87,005	0.04	67,770	5	67,775	0.03	–0.01
iii) Foreign Body Corporate	0	2,000	2,000	0.00	–	2,000	2,000	0.00	–
<b>Sub-total (B)(2):-</b>	<b>7,54,17,819</b>	<b>31,44,879</b>	<b>7,85,62,698</b>	<b>35.24</b>	<b>824,35,771</b>	<b>31,09,048</b>	<b>8,55,44,819</b>	<b>38.37</b>	<b>3.13</b>
<b>Total Public Shareholding (B) = (B)(1) + (B)(2)</b>	<b>9,03,62,906</b>	<b>31,63,879</b>	<b>31,63,879</b>	<b>41.96</b>	<b>9,04,13,737</b>	<b>31,28,048</b>	<b>9,35,41,785</b>	<b>41.96</b>	<b>–</b>
C. Shares held by Custodian for GDR & ADRs	–	–	–	–	–	–	–	–	–
<b>Grand Total (A+B+C)</b>	<b>21,97,40,750</b>	<b>31,63,879</b>	<b>22,29,04,629</b>	<b>100.00</b>	<b>21,97,91,581</b>	<b>31,28,048</b>	<b>22,29,19,629</b>	<b>100.00</b>	<b>0.00</b>

\*No change in numbers of the shares held by the Promoters during the year. Decrease in percentage shareholding is on account of increase in the paid up share capital during the year.

(ii) Shareholding of Promoters

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year (As on 30 <sup>th</sup> June, 2015)			Share holding at the end of the year (As on 31 <sup>st</sup> March, 2016)			% change in share holding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged/ encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged/ encumbered to total shares	
1	Mr. Ajai Chowdhry	1,98,490	0.09	–	1,98,490	0.09	–	–
2	Ms. Gita Chowdhry	1,52,445	0.07	–	1,52,445	0.07	–	–
3	Ms. Kiran Malhotra	59,060	0.03	–	59,060	0.02	–	–
4	Mr. Shiv Nadar	2,070	0.00	–	2,070	0.00	–	–
5	Ms. Roshni Nadar	1,960	0.00	–	1,960	0.00	–	–
6	Ms. Poorva Malhotra	12,880	0.01	–	12,880	0.01	–	–
7	Mr. Akshay Chowdhry	900	0.00	–	900	0.00	–	–
8	Mr. Shiven Malhotra	11,880	0.01	–	11,880	0.01	–	–
9	Ms. Kiran Nadar	420	0.00	–	420	0.00	–	–
10	Ms. Nina Puri	18,25,703	0.82	–	18,25,703	0.82	–	–
11	M/s HCL Corporation Pvt. Ltd. (Formerly, Guddu Investments (Pondi) Pvt. Ltd.)	11,13,82,239	49.97	–	11,13,82,239	49.97	–	–

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year (As on 30 <sup>th</sup> June, 2015)			Share holding at the end of the year (As on 31 <sup>st</sup> March, 2016)			% change in share holding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged/ encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged/ encumbered to total shares	
12	M/s Vama Sundari Investments (Delhi) Pvt Ltd	10,38,848	0.47	–	10,38,848	0.47	–	–
13	M/s AKM Systems Pvt. Ltd.	1,19,97,007	5.38	–	1,19,97,007	5.38	–	–
14	M/s Apollo Trading And Finance Pvt. Ltd.	13,46,971	0.60	–	13,46,971	0.60	–	–
15	M/s BFL Investments & Financial Consultants Pvt. Ltd.	13,46,971	0.60	–	13,46,971	0.60	–	–
	<b>Total</b>	<b>12,93,77,844</b>	<b>58.04</b>	–	<b>12,93,77,844</b>	<b>58.04</b>	–	–

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

Sl. No.		Shareholding at the beginning of the year (As on 30 <sup>th</sup> June, 2015)		Cumulative Shareholding during the year (As on 31 <sup>st</sup> March, 2016)	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	12,93,77,844	58.04	12,93,77,844	58.04
	Date wise Increase/ Decrease in Promoters Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/ transfer/bonus/ sweat equity etc):	–		–	–
	At the End of the year	<b>12,93,77,844</b>	<b>58.04</b>	<b>12,93,77,844</b>	<b>58.04</b>

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDR and ADR :

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	<b>For Each of the Top 10 Shareholders</b>				
1.	BHADRA JAYANTILAL SHAH	21,00,000	0.9421	21,00,000	0.9421
	<b>Add:</b> Market Purchase 03.07.2015	1,00,000	0.0449	22,00,000	0.9869
	At the End of the year (or on the date of separation, if separated during the year)	NA	NA	22,00,000	0.9869
2.	CHETAN JAYANTILAL SHAH	21,00,000	0.9421	21,00,000	0.9421
	<b>Add:</b> Market Purchase 03.07.2015	1,00,000	0.0449	22,00,000	0.9869
	At the End of the year (or on the date of separation, if separated during the year)	NA	NA	22,00,000	0.9869
3.	LIFE INSURANCE CORPORATION OF INDIA	21,31,085	0.9561	21,31,085	0.9561
	<b>Add/Less:</b>	–	–	21,31,085	0.9560
	At the End of the year (or on the date of separation, if separated during the year)	NA	NA	21,31,085	0.9560



Sl. No.			Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	<b>For Each of the Top 10 Shareholders</b>					
4.	GOPIKISHAN SHIVKISHAN DAMANI		–	–	–	–
	<b>Add:</b> Market Purchase	31.03.2016	15,00,000	0.6729	15,00,000	0.6729
	At the End of the year (or on the date of separation, if separated during the year)		NA	NA	15,00,000	0.6729
5.	EMERGING MARKETS CORE EQUITY PORTFOLIO (THE PORTFOLIO) OF DFA INVESTMENT DIMENSIONS GROUP INC. (DFAIDG)		9,24,115	0.4146	9,24,115	0.4146
	<b>Less:</b> Market Sale	28.08.2015	-1,07,141	-0.0481	8,16,974	0.3665
	<b>Add:</b> Market Purchase	27.11.2015	81,007	0.0363	8,97,981	0.4028
	<b>Add:</b> Market Purchase	15.01.2016	1,01,684	0.0456	9,99,665	0.4484
	<b>Add:</b> Market Purchase	22.01.2016	79,108	0.0355	10,78,773	0.4839
	At the End of the year (or on the date of separation, if separated during the year)		NA	NA	10,78,773	0.4839
6.	NIRMAL BANG SECURITIES PVT LTD		–	–	–	–
	<b>Add:</b> Market Purchase	23.10.2015	8,00,000	0.3589	8,00,000	0.3589
	<b>Less:</b> Market Sale	30.10.2015	-35,000	-0.0157	7,65,000	0.3432
	<b>Less:</b> Market Sale	06.11.2015	-1,60,000	-0.0718	6,05,000	0.2714
	<b>Less:</b> Market Sale	13.11.2015	-6,05,000	-0.2714	0	0.0000
	<b>Add:</b> Market Purchase	19.02.2016	9,36,000	0.4199	9,36,000	0.4199
	At the End of the year (or on the date of separation, if separated during the year)		NA	NA	9,36,000	0.4199
7.	OYSTER FINCAP PRIVATE LIMITED		–	–	–	–
	<b>Add:</b> Market Purchase	31.03.2016	9,00,000	0.4037	9,00,000	0.4037
	At the End of the year (or on the date of separation, if separated during the year)		NA	NA	9,00,000	0.4037
8.	SUBHASH ARORA INVESTMENT P LTD		8,19,250	0.3675	8,19,250	0.3675
	<b>Add/Less:</b>		–	–	8,19,250	0.3675
	At the End of the year (or on the date of separation, if separated during the year)		NA	NA	8,19,250	0.3675
9.	MV SCIF MAURITIUS		11,53,594	0.5175	11,53,594	0.5175
	<b>Less:</b> Market Sale	03.07.2015	-29,024	-0.0130	11,24,570	0.5045
	<b>Less:</b> Market Sale	10.07.2015	-21,150	-0.0095	11,03,420	0.4950
	<b>Less:</b> Market Sale	31.07.2015	-31,770	-0.0143	10,71,650	0.4808
	<b>Less:</b> Market Sale	07.08.2015	-7,178	-0.0032	10,64,472	0.4775
	<b>Less:</b> Market Sale	14.08.2015	-74,186	-0.0333	9,90,286	0.4443
	<b>Less:</b> Market Sale	21.08.2015	-10,597	-0.0048	9,79,689	0.4395

Sl. No.			Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	For Each of the Top 10 Shareholders		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	Less: Market Sale	28.08.2015	-33,034	-0.0148	9,46,655	0.4247
	Less: Market Sale	04.09.2015	-9,362	-0.0042	9,37,293	0.4205
	Add: Market Purchase	25.09.2015	9,362	0.0042	9,46,655	0.4247
	Add: Market Purchase	02.10.2015	31,803	0.0143	9,78,458	0.4390
	Add: Market Purchase	09.10.2015	10,599	0.0048	9,89,057	0.4437
	Add: Market Purchase	30.10.2015	21,192	0.0095	10,10,249	0.4532
	Less: Market Sale	20.11.2015	-21,182	-0.0095	9,89,067	0.4437
	Less: Market Sale	04.12.2015	-42,361	-0.0190	9,46,706	0.4247
	Less: Market Sale	11.12.2015	-1,05,687	-0.0474	8,41,019	0.3773
	Less: Market Sale	25.12.2015	-30,024	-0.0135	8,10,995	0.3638
	Less: Market Sale	31.12.2015	-10,216	-0.0046	8,00,779	0.3592
	Add: Market Purchase	05.02.2016	9,087	0.0041	8,09,866	0.3633
	Less: Market Sale	25.03.2016	-24,501	-0.0110	7,85,365	0.3523
	At the End of the year (or on the date of separation, if separated during the year)		NA	NA	7,85,365	0.3523
10.	GENERAL INSURANCE CORPORATION OF INDIA		8,00,000	0.3589	8,00,000	0.3589
	Less: Market Sale	16.10.2015	-1,00,000	-0.0449	7,00,000	0.3140
	At the End of the year (or on the date of separation, if separated during the year)		NA	NA	7,00,000	0.3140

(v) Shareholding of Directors and Key Managerial Personnel:

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	For Each of the Directors and KMP	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	Mr. Kaushik Dutta (At the beginning of the year)	4,000	0.002	–	–
	Add:	–	–	–	–
	Less:	–	–	–	–
	At the End of the year	–	–	4,000	0.002
2.	Mr. Sanjeev Sharma (At the beginning of the year)	1,000	0.00	–	–
	Add:	–	–	–	–
	Less:	–	–	–	–
	At the End of the year	–	–	1,000	0.00
Key Managerial Personnel					
		–	–	–	

**V. INDEBTEDNESS**
**Indebtedness of the Company including interest outstanding/accrued but not due for payment** (₹ in Lacs)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	52,509.82	48,610.16	–	101,119.98
ii) Interest due but not paid	–	–	–	–
iii) Interest accrued but not due	12.22	285.56	–	297.78
<b>Total (i+ii+iii)</b>	<b>52,522.04</b>	<b>48,895.72</b>	<b>–</b>	<b>101,417.76</b>
<b>Change in Indebtedness during the financial year</b>				
• Addition	–	18,691.76	–	18,691.76
• Reduction	-24,945.90	–	–	-24,945.90
<b>Net Change</b>	<b>-24,945.90</b>	<b>18,691.76</b>	<b>–</b>	<b>-6,254.14</b>
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	27,563.92	67,301.92	–	94,865.84
ii) Interest due but not paid	–	–	–	–
iii) Interest accrued but not due	220.37	223.77	–	444.14
<b>Total (i+ii+iii)</b>	<b>27,784.29</b>	<b>67,525.69</b>	<b>–</b>	<b>95,309.98</b>

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL**
**A. Remuneration to Managing Director, Whole-time Directors and/or Manager:** (₹ In Lacs)

Sl. No.	Particulars of Remuneration	Name of MD/WT/ Manager	Total Amount
		Mr. Premkumar Seshadri	
1.	Gross salary		
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	–	–
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	–	–
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	–	–
2.	Stock Option	–	–
3.	Sweat Equity	–	–
4.	Commission	–	–
	- as % of profit	–	–
	- others, specify...	–	–
5.	Others, please specify	–	–
	<b>Total (A)</b>	–	–
	Ceiling as per the Act	NA	

**B. Remuneration to other directors:** (₹ in Lacs)

Sl. No.	Particulars of Remuneration	Fee for attending board /committee meetings	Commission	Others, please specify	Total Amount
<b>1.</b>	<b>Independent Directors</b>				
	Dr. Pradeep Kumar Khosla	5.25	–	–	5.25
	Ms. Sangeeta Talwar	18.00	–	–	18.00
	Mr. Kaushik Dutta	15.75	–	–	15.75
	Mr. Dharendra Singh	17.25	–	–	17.25
	Mr. Sanjeev Sharma	6.00	–	–	6.00
	Ms. Ritu Arora	–	–	–	–
	<b>Total (1)</b>				<b>62.25</b>



Sl. No.	Particulars of Remuneration	Fee for attending board /committee meetings	Commission	Others, please specify	Total Amount
<b>2.</b>	<b>Other Non-Executive Directors</b>				
	Dr. Nikhil Sinha	–	–	–	–
	Mr. V.N. Koura	–	–	–	–
	Mr. Pawan Kumar Danwar	–	–	–	–
	Mr. Dilip Kumar Srivastava	–	–	–	–
	<b>Total (2)</b>				
	<b>Total (B)=(1+2)</b>				–
	Total Managerial Remuneration	–	–	–	<b>62.25</b>
	Overall Ceiling as per the Act	₹ 1,00,000 per Board/ Committee meeting			

**C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD (₹ in Lacs)**

Sl. No.	Particulars of Remuneration	Key Managerial Personnel		
		Mr. S. G. Murali CFO	Mr. Sushil Kumar Jain Company Secretary	Total
1.	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	136.04	26.93	162.97
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	4.37	2.80	7.17
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	2.13	–	2.13
2.	Stock Option	–	–	–
3.	Sweat Equity	–	–	–
4.	Commission			
	- as % of profit	–	–	–
	- others, specify...	–	–	–
5.	Others, please specify	–	–	–
	<b>Total</b>	<b>142.54</b>	<b>29.73</b>	<b>172.27</b>

**VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES:**

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

# Information Regarding Employee Stock Option Scheme

The details of the options granted under the HCL Infosystems Limited, Employee Stock Option Scheme 2000 (Scheme 2000) and Employee Stock Based Compensation Plan 2005 (Scheme 2005) as on March 31<sup>st</sup>, 2016 are given below:-

## Employee Stock Option Scheme 2000 (Scheme 2000)

**Options Granted :** 31,90,200 which confer a right to get 1 equity share of ₹ 10/- each (each equity share of the face value of ₹ 10/- has been sub divided into five equity shares of ₹ 2/- each).

**Pricing Formula :** The members of the Company at the Extra Ordinary General Meeting held on 25<sup>th</sup> February, 2000 approved the exercise price as the price which will be not less than 85% of the fair market value of the shares on the date on which the Board of Directors of the Company approved the Grant of such options to the employees or such price as the Board of Directors may determine in accordance with the regulations and guidelines prescribed by the Securities and Exchange Board of India (SEBI). The members of the Company at the Annual General Meeting held on 21<sup>st</sup> October, 2004, approved the amendment to the pricing formula that the options granted but not yet exercised by the employees or options that would be granted in future, would be at the market price on the date of grant. For this purpose the market price as specified in the amended provisions of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the regulations/guidelines prescribed by SEBI or any relevant authority, from time to time to the extent applicable.

**Variance of terms of options :** The pricing formula has been amended that the options granted but not yet exercised by the employees or options that would be granted in future, would be at the market price. For this purpose, the market price means the market price as specified in the amended provisions of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the regulations/guidelines prescribed by SEBI or any relevant authority, from time to time to the extent applicable.

Options Details :	Date of Grant	Grant Price (₹)	Options Vested till 31/03/2016	Options Exercised till 31/03/2016	Options Lapsed/ Forfeited during year ended 31/03/2016	Options in force as on 31/03/2016
	10-Aug-00	289.00	Fully vested	13,63,708	–	–
	28-Jan-04	538.15	Fully vested	8,44,093	–	–
	25-Aug-04	603.95	Fully vested	57,892	–	–
	18-Jan-05	809.85	Fully vested	39,977	–	–
	15-Feb-05	809.30	Fully vested	2,400	–	–
	15-Mar-05	834.40	Fully vested	3,794	–	–
	15-Apr-05	789.85	Fully vested	960	–	–
	14-May-05	770.15	Fully vested	970	–	–
	15-Jun-05	756.15	Fully vested	3,565	–	–
	15-Jul-05	978.75	Fully vested	1,318	–	–
	13-Aug-05	1144.00	Fully vested	–	–	–
	15-Sep-05	1271.25	Fully vested	–	–	–
	15-Mar-07	648.75	Fully vested	7,300	49,200	–
	23-Jan-08	898.25	Fully vested	–	3,427	4,171
	18-Aug-09	627.25	Fully vested	–	–	–
	26-Oct-10	586.75	Fully vested	–	–	–
	2-Feb-11	516.50	Fully vested	–	–	–
	30-Jan-12	233.25	Fully vested	–	6,000	–
	18-Jun-12	202.00	Fully vested	–	–	–
	9-Sep-13	132.00	6,000	6,000	–	–
	18-Sep-14	380.00	3,000	–	15,000	–
	21-Nov-14	363.75	3,000	–	–	3,000
	<b>Total</b>			<b>23,31,977</b>	<b>73,627</b>	<b>7,171</b>

## HCL INFOSYSTEMS

**Vesting Details :** 30% - 12 months after the grant date  
30% - 24 months after the grant date  
40% - 42 months after the grant date

### Employee Stock Based Compensation Plan 2005 (Scheme 2005)

**Options Granted :** 33,35,487 which confer a right to get 5 equity shares of ₹ 2/- each.

**Pricing Formula :** As per the resolution passed by members of the Company, through postal ballot, the result whereof was declared on 13<sup>th</sup> June, 2005, the options are granted at the market price on the date of grant or such price as the Board of Directors may determine in accordance with the Regulations and Guidelines prescribed by SEBI or other relevant authority from time to time. For this purpose, the market price as specified in the amended provisions of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the regulations/guidelines prescribed by SEBI or any relevant authority from time to time to the extent applicable.

**Variance of terms of options :** No variation made.

### **Options Details :**

Date of Grant	Grant Price (₹)	Options Vested till 31/03/2016	Options Exercised till 31/03/2016	Options Lapsed/ Forfeited during year ended 31/03/2016	Options in force as on 31/03/2016
13-Aug-05	1144.00	Fully vested	9,074	1,88,698	–
19-Oct-05	1157.50	Fully vested	–	3,198	–
15-Nov-05	1267.75	Fully vested	–	1,070	–
15-Dec-05	1348.25	Fully vested	–	470	–
14-Jan-06	1300.00	Fully vested	–	340	–
15-Feb-06	1308.00	Fully vested	–	280	–
16-Mar-06	1031.00	Fully vested	–	690	–
17-Apr-06	868.75	Fully vested	–	–	160
15-May-06	842.50	Fully vested	–	–	810
15-Jun-06	620.50	Fully vested	430	320	540
17-Jul-06	673.75	Fully vested	80	310	310
15-Mar-07	648.75	Fully vested	7,860	43,660	35,180
23-Jan-08	898.25	Fully vested	–	8,625	9,960
16-Aug-11	375.00	14,000	–	–	–
17-Aug-11	375.00	5,600	–	–	5,600
18-Jun-12	202.00	800	–	–	–
30-Jan-13	186.00	12,000	–	–	12,000
14-Feb-13	178.00	–	–	–	–
10-May-13	187.00	2,000	2,000	–	–
<b>Total</b>			<b>19,444</b>	<b>2,47,661</b>	<b>64,560</b>

**Vesting Details :** 20% - 12 months after the grant date  
20% - 24 months after the grant date  
20% - 36 months after the grant date  
20% - 48 months after the grant date  
20% - 60 months after the grant date

### Other Details

S. No.	Description	Scheme 2000	Scheme 2005
1.	Total number of shares arising as a result of exercise of options :	<b>1,16,59,885 equity shares of ₹ 2/- each</b>	<b>97,221 equity shares of ₹ 2/- each</b>
2.	Money realised by exercise of options :	₹ 93,18,26,384.15	₹ 16,174,774.80
3.	Weighted average exercise price of options granted (₹) :	₹ 653.85	₹ 1044.55
4.	Weighted average fair value of options granted (₹) :	₹ 84.90	₹ 148.95



S. No.	Description	Scheme 2000	Scheme 2005
5.	Employee-wise details of options granted to:		
	(i) Senior Management :		
	• Mr. J.V. Ramamurthy	45,500	7,500
	• Mr. Sandeep Kanwar	42,000	7,500
	• Mr. A.P.S. Bedi	18,000	6,500
	• Mr. Sutikshan Naithani	–	20,000
	• Mr. M. Chandrasekaran	–	7,000
	• Mr. Rajeev Tupsakri	6,000	–
	• Mr. Sushil Kumar Jain	–	2,500
	• Mr. Monishankar Hazra	5,000	–
	• Mr. Sathiyamoorthy	10,000	–
	• Mr. Bishwanath Bhattacharyya	10,000	–
	• Mr. Sharad Talwar	10,000	–
	• Mr. Sutikshan Naithani	–	20,000
	(ii) Employees holding 5% or more of the total number of options granted during the year :	NIL	NIL
	(iii) Identified employees who were granted options during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	NIL	NIL

**The fair value of each stock option granted under Employee Stock Option Plan 2000 and Employee Stock Based Compensation Plan 2005, as on the date of grant has been computed using Black-Scholes Option Pricing Formula and the model inputs are given as under:**

Description	Scheme 2000	Scheme 2005
Volatility :	31% to 68%	31% to 65%
Risk free rate :	7.06% to 7.69%	7.06% to 7.77%
Exercise Price :	₹ 132.00 to ₹ 1271.25	₹ 178.00 to ₹ 1348.25
Time to Maturity (years) :	2.20 to 5.50	2.50 to 7.00
Dividend Yield :	0% to 32%	0% to 37%
Life of options :	8.5 Years	10 Years
Fair Value of options as at the grant date :	₹ 1.69 to ₹ 196.18	₹ 0.00 to ₹ 268.16

**Notes:**

1. Volatility: Based on historical volatility in the share price movement of the Company.
2. Risk Free Rate: Being the interest rate applicable for maturity equal to the expected life of options based on yield curve for Government Securities.
3. Time to Maturity: Vesting period and volatility of the underlying equity shares have been considered for estimation.
4. Dividend Yield: Based on historical dividend payouts.

**Where the Company has calculated the employee compensation cost using the intrinsic value of Stock Options, the difference between the employee compensation cost that shall have been recognized if it had used the fair value of Option**

The Company has used intrinsic value method for calculating the employee compensation cost with respect to the Stocks Option.

The impact on the profit of the Company for the year ended 31<sup>st</sup> March, 2016 and the basic and diluted earnings per share had the Company followed the fair value method of accounting for stock options is set out below:

	<b>March 2016</b> ₹ /Crores	<b>June 2015</b> ₹ /Crores
Profit after tax as per statement of Profit and Loss (a)	<b>(210.27)</b>	(70.89)
Add: Employee Stock Compensation Expense as per Intrinsic Value Method	–	–
Less: Employee Stock Compensation Expense as per Fair Value Method	<b>0.09</b>	0.12
Profit after tax recomputed for recognition of employee stock compensation expense under fair value method (b)*	<b>(210.36)</b>	(71.01)
Earning Per Share based on earnings as per (a) above:		
- Basic	<b>(₹ 9.43)</b>	(₹ 3.18)
- Diluted	<b>(₹ 9.43)</b>	(₹ 3.18)
Earning Per Share had fair value method been employed for accounting of employee stock options:		
- Basic	<b>(₹ 9.44)</b>	(₹ 3.19)
- Diluted	<b>(₹ 9.44)</b>	(₹ 3.19)
* Excludes impact on tax expense of employee stock compensation expense.		

## Auditors' Certificate

To  
The Board of Directors  
HCL Infosystems Limited  
806, Siddharth  
96, Nehru Place  
New Delhi-110019

### **Report of Statutory Auditors to HCL Infosystems Limited pursuant to requirement of Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014**

1. This report is issued in accordance with the terms of our agreement dated March 4, 2016.
2. The accompanying Share based Employee Benefit Scheme Employee Stock Option Plan Scheme 2000 (hereinafter referred to as "the 2000 Plan") and Employee Stock based Compensation Plan 2005 (hereinafter referred to as "the Plan") contains provisions with regard to issuance of securities of HCL Infosystems Limited (hereinafter referred to as the "Company") as approved by the shareholders of the Company, which we have initialed for identification purposes only.

#### **Management's Responsibility**

3. The Management of the Company is responsible for the implementation of the Scheme in accordance with the requirements of Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (hereinafter referred to as the "Regulations") and in accordance with the special resolution passed by the shareholders of the Company under Section 192 A of the Companies Act, 1956 approving the Scheme on February 25, 2000 for "the 2000 Plan" and on June 13, 2005 for "the Plan" (hereinafter referred to as the "Shareholders Resolution").
4. The Management is also responsible for ensuring that the Company complies with the requirements of the Equity Listing Agreement and for furnishing the relevant information to the Securities and Exchange Board of India.

#### **Auditors' Responsibility**

5. Pursuant to the requirements of the Regulations it is our responsibility to obtain reasonable assurance and form an opinion as to whether the accompanying Scheme is implemented in compliance with the Regulations and Shareholders Resolution. For the purpose of our examination reliance was placed on audited financial statements for the year ended March 31, 2016 and books and records of the Company.
6. The financial statements referred to in paragraph 5 above, have been audited by us on which we issued an unmodified audit opinion vide our reports dated May 25, 2016. Our audits of these financial statements were conducted in accordance with the Standards on Auditing as referred to in section 143(10) of the Companies Act 2013 and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audits were not planned and performed in connection with any transactions to identify matters that may be of potential interest to third parties.

7. We carried out our examination in accordance with the Guidance Note on Audit Reports and Certificates for Special Purposes issued by the Institute of Chartered Accountants of India.

**Opinion**

8. Based on our examination, as above, and according to the information and explanations given to us, we report that the Company has implemented the Scheme in accordance with the Regulations and the Shareholders' Resolution.

**Restrictions on Use**

9. Our work was performed solely to assist you in meeting your responsibilities in relation to the compliance of the Scheme with the Regulations. Our obligations in respect of this report are entirely separate from, and our responsibility and liability is in no way changed by any other role we may have (or may have had) as auditors of the Company or otherwise. Nothing in this report, nor anything said or done in the course of or in connection with the services that are the subject of this report, will extend any duty of care we may have in our capacity as auditors of the Company.
10. This report is addressed to and provided to the Board of Directors of the Company pursuant to Regulation 13 of the Regulations solely to enable the Board of Directors of the Company to place it before the shareholders at the ensuing annual general meeting of the Company and should not be used by any other person or for any other purpose. Price Waterhouse do not accept or assume any liability or duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

For Price Waterhouse  
Firm Registration No. 301112E  
Chartered Accountants

Avijit Mukerji  
Partner  
Membership No. 056155

Place : Noida  
Date : May 25, 2016

# Report On Corporate Governance

## 1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

The Company firmly believes that good corporate governance practices ensure efficient conduct of the affairs of the Company while upholding the core values of transparency, integrity, honesty and accountability and help the Company in its goal to maximize value for all its stakeholders.

The Company adopts and adheres to the best recognized corporate governance practices and continuously strives to better them.

The Company is in compliance with the requirements of the guidelines on corporate governance stipulated in Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

## 2. BOARD OF DIRECTORS:

- (i) As on 31<sup>st</sup> March, 2016, the Board of Directors of the Company comprises of Eleven Directors. Of the Eleven Directors, ten are Non-executive Directors and six are Independent Directors including two Women Directors. The Composition of the Board is in conformity with Regulation 17(1) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- (ii) None of the Directors on the Board is a member of more than 10 Committees or Chairman of more than 5 Committees as specified in Regulation 26(1) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 across all the Public Companies in which he is a Director. Necessary disclosures regarding Committee position in other public companies as at 31<sup>st</sup> March, 2016 have been made by the Directors.
- (iii) All the Independent Directors have confirmed that they meet the criteria as mentioned under Regulation 16(b) and 25 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Section 149 of the Companies Act, 2013 (Act). The maximum tenure of Independent Directors is in accordance with the Act.
- (iv) The names and categories of the Directors on the Board, their attendance at Board Meetings held during the financial year and the last Annual General Meeting and the number of Directorships and Committee Chairmanship/ Memberships held by them in other public companies is given below. Other Directorships do not include directorships of private limited companies, foreign companies and companies incorporated under Section 8 of the Companies Act, 2013. Chairmanship/Membership of Board Committees includes only Audit Committee and Shareholders' Relationship Committee.

Names	Category	No of Board Meetings during 2015-16		Whether attended last AGM held on 19 <sup>th</sup> November, 2015	No. of Directorships in other public companies as on 31 <sup>st</sup> March, 2016	No. of Committee positions held in other public companies as on 31 <sup>st</sup> March, 2016	
		Held	Attended			Chairman	Member
Dr. Nikhil Sinha (Chairman)	Non Independent & Non-executive Director	7	7	Yes	2	–	–
Mr. Premkumar Seshadri (Executive Vice Chairman & Managing Director)	Executive Director	7	6	Yes	4	–	1
Mr. Dilip Kumar Srivastava	Non Independent & Non-executive Director	7	5	No	4	–	–
Mr. Dharendra Singh	Independent & Non-executive Director	7	7	Yes	3	2	1
Mr. Kaushik Dutta	Independent & Non-executive Director	7	7	Yes	8	–	5
Mr. Pawan Kumar Danwar	Non Independent & Non-executive Director	7	6	No	2	–	2
Dr. Pradeep K. Khosla	Independent & Non-executive Director	7	4	No	–	–	–
Ms. Ritu Arora	Independent & Non-executive Director	7	5	Yes	1	–	–
Ms. Sangeeta Talwar	Independent & Non-executive Director	7	7	No	4	–	–
Mr. Sanjeev Sharma	Independent & Non-executive Director	7	7	Yes	2	1	1
Mr. V N Koura	Non-Independent & Non-executive Director	7	2	Yes	1	–	–



- (v) Seven Board Meetings were held during the financial year 2015-16 and the gap between two meetings did not exceed one hundred and twenty days. The dates on which the Board Meetings were held are as follows:

20 <sup>th</sup> August, 2015	21 <sup>st</sup> September, 2015	21 <sup>st</sup> October, 2015
26 <sup>th</sup> November, 2015	25 <sup>th</sup> January, 2016	29 <sup>th</sup> February, 2016
28 <sup>th</sup> March, 2016		

- (vi) Necessary information as mentioned in Part A of Schedule II of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 has been placed before the Board for their consideration. Some of the items discussed at the Board/Board Committees meetings are listed below:

- Annual operating plans and budgets and all updates.
- Capital budgets and all updates.
- Quarterly Results for the Company and its operating divisions or business segments.
- Minutes of meetings of Audit Committee and other Committees of the Board .
- The information on recruitment and remuneration of senior officers just below the level of board of directors, including appointment or removal of Chief Financial Officer and the Company Secretary.
- Show cause, demand, prosecution notices and penalty notices which are materially important.
- Details of any joint venture or collaboration agreement.
- Quarterly details of foreign exchange exposures and steps taken by management to limit the risks of adverse exchange rate movement, if material.
- Non-compliance of any regulatory, statutory nature or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.
- Discussion & review of Business Operations.
- Advancing inter-corporate loan to subsidiaries.
- Issue of corporate guarantees(s) on behalf of subsidiaries
- Minutes of meetings of Board of Directors of Subsidiary Companies.
- Review of operations of subsidiary companies.
- Review of related party transactions.
- Approval to make payment of remuneration by way of commission to Non-Executive Director.
- Review of statutory compliances.
- Noting risk management policy, procedures, the risks and the mitigation plans.
- Approval for conversion of the Inter Corporate Loans into Equity Shares and Optionally fully Convertible Debentures

### 3. COMMITTEES OF THE BOARD

#### i. ACCOUNTS AND AUDIT COMMITTEE:

- (i) The Accounts and Audit Committee of the Company was constituted in August'1998.
- (ii) The Committee is governed by a Charter.
- (iii) The functions of the Audit Committee inter-alia include the following:
  - a. Recommending to the Board, the appointment, re-appointment, remuneration and terms of appointment and, if required, the replacement or removal of the auditors of the Company.
  - b. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
  - c. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
  - d. To review and monitor the auditor's independence and performance, and effectiveness of audit process.
  - e. Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:
    - i) Matters required to be included in the Director's Responsibility Statement to be included in the Board's report under Companies Act.
    - ii) Changes, if any, in accounting policies and practices and reasons for the same
    - iii) Major accounting entries involving estimates based on the exercise of judgment by management
    - iv) Significant adjustments made in the financial statements arising out of audit findings

- v) Compliance with listing and other legal requirements relating to financial statements
- vi) Disclosure of any related party transactions
- vii) Qualifications in the draft audit report.
- f. Review, with the management, the quarterly financial statements before submission to the board for approval.
- g. Examination of the financial statements and the auditors' report thereon.
- h. Evaluation of internal financial controls and risk management systems.
- i. Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
- j. Reviewing & monitoring, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
- k. Approval or any subsequent modification of transactions of the company with related parties.
- l. Scrutiny of inter-corporate loans and investments.
- m. Valuation of undertakings or assets of the Company, wherever necessary.
- n. Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- o. Discussion with internal auditors of any significant findings and follow up there on.
- p. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- q. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- r. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
- s. To review the functioning of the Whistle Blower mechanism
- t. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.
- u. The Audit Committee shall mandatorily review the following information:
  - i. Management discussion and analysis of financial condition and results of operations;
  - ii. Statement of significant related party transactions (as defined by the Audit Committee), submitted by management;
  - iii. Management letters / letters of internal control weaknesses issued by the statutory auditors;
  - iv. Internal audit reports relating to internal control weaknesses; and
  - v. The appointment, removal and terms of remuneration of the Chief internal auditor.
- v. To perform any other function as may be assigned by the Board from time to time.
- (iv) The composition, powers, roles and the terms of reference of the Committee are in terms of the requirement of Section 177 of the Companies Act, 2013 and Regulation 18 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. All the Committee members have reasonable knowledge of finance and accounting and two members possess financial and accounting expertise.
- (v) The composition of Accounts and Audit Committee and details of meeting attended by Chairman/Members are given below:

Name	Category	No. of Meetings	
		Held	Attended
Mr. Kaushik Dutta (Chairman)	Independent & Non-executive	7	7
Mr. Dharendra Singh	Independent & Non-executive	7	7
Dr. Nikhil Sinha	Non-Independent & Non-executive	7	6
Ms. Ritu Arora	Independent & Non-executive	7	6
Ms. Sangeeta Talwar	Independent & Non-executive	7	6

(vi) The Audit Committee met Seven times during the financial year 2015-16 on the following dates:

19 <sup>th</sup> August, 2015	21 <sup>st</sup> September, 2015	20 <sup>th</sup> October, 2015
6 <sup>th</sup> November, 2015	25 <sup>th</sup> January, 2016	15 <sup>th</sup> February, 2016
28 <sup>th</sup> March, 2016		

(vii) The previous Annual General Meeting of the Company was held on 19<sup>th</sup> November, 2015 and it was attended by the Chairman of the Committee.

(viii) The Company Secretary of the Company acts as Secretary to the Committee.

**ii. Nomination & Remuneration Committee:**

(i) The Nomination & Remuneration Committee was constituted in August 1998.

(ii) The Committee is governed by a Charter.

(iii) The terms of reference of the Committee inter alia includes to:-

**Charter of the Committee:**

The purpose of the Committee is to:

- i. Manage the following set of activities with respect to members of the Board of Directors of the Company:
  - a. Appointment of Directors
    - Formulate the criteria for determining qualification, positive attributes and independence of Directors
    - Review and recommend potential candidates to the Board for appointment with due consideration to Board diversity
  - b. Evaluation of performance of the Directors of the Board
    - Establish criteria for evaluation of Director's performance
    - Conduct Evaluation and submit the report to Chairman of the Board (if necessary the committee may seek external consulting assistance in this matter)
  - c. Remuneration of Directors including Executive & Non-Executive Directors
    - Recommend policy for approval by the Board
- ii. Manage the following set of activities with respect to Key Managerial Personnel viz. Executive Directors, Managing Director, Chief Executive Officer (CEO), Chief Financial Officer (CFO), Company Secretary of the Company and in future, such persons as recommended by the Board:
  - a. Establish and Review the performance scorecard for key managerial personnel for each financial year
  - b. Review and recommend compensation, incentive & bonus plans for MD/CEO and other Key Managerial Personnel on the basis of Performance evaluation outcomes
  - c. The committee should also review, guide and finalize succession planning for Key Managerial Personnel
- iii. Manage the following set of activities with respect to Senior Management of the Company:
  - a. Review the performance scorecard for the Senior Management for each financial year
  - b. Review and recommend to the Board the compensation, incentive & bonus plans for Senior Management as proposed by the CEO on the basis of his / her evaluation of the Performance outcomes of the Senior Management
  - c. The committee should also review, guide and finalize succession planning for Senior Management
- iv. Other activities:
  - a. Wherever considered necessary, the committee may review matters such as Organizational Structure, HR Charter, proposal from the CEO on annual compensation plan, pay hikes and budgets across organization for all employees globally etc.
  - b. Review & recommend the Stock Option Plans
  - c. Approve the individual grant of options to employees and/or non-independent Directors
  - d. In case considered appropriate the Board may recommend a review of any other areas considered critical to performance of Business

- (v) The composition of the Nomination & Remuneration Committee and the details of meetings attended by its Chairman/members are given below:

Name	Category	No. of Meetings	
		Held	Attended
Mr. Dharendra Singh (Chairman)	Independent & Non-executive	5	5
Mr. Dilip Kumar Srivastava	Non - Independent & Non-executive	5	5
Ms. Sangeeta Talwar	Independent & Non-executive	5	5

- (vi) The Committee met Five times during the financial year 2015-16 on the following dates:

19 <sup>th</sup> August, 2015	6 <sup>th</sup> October, 2015	20 <sup>th</sup> October, 2015
25 <sup>th</sup> January, 2016	28 <sup>th</sup> March, 2016	

- (vii) Compensation policy for Non-executive Directors (NEDs):

Within the ceiling of 1% of the net profits of the Company computed under the applicable provisions of the Companies Act, 2013 and after obtaining the approval of the shareholders, the Non-executive Directors (other than Promoter Director) are paid a commission, the amount whereof is determined based on the policy adopted by the Company laying down the criteria relating to their positions on the Board and the various Board Committees. However, in view of the losses incurred by the Company during the year ended 31<sup>st</sup> March, 2016, the Board has decided that no commission be paid to Non-executive Directors for the year ending 31<sup>st</sup> March, 2016.

These Directors are also paid sitting fees at the rate of ₹ 75,000 for attending each meeting of the Board and the Board Committees. The sitting fees is paid only to the Independent Directors.

- (viii) Details of remuneration paid / payable to all the Directors for the period from 1<sup>st</sup> July, 2015 to 31<sup>st</sup> March, 2016:

(₹ /Lacs)

Name	Salary & Allowances	Perquisites	Performance Linked Bonus	Commission	Sitting Fees
<b>Executive Directors</b>					
Mr. Premkumar Seshadri	NIL	NIL	NIL	NIL	NIL
<b>Non-executive Directors</b>					
Dr. Nikhil Sinha	NIL	NIL	NIL	NIL	NIL
Mr. V N Koura	NIL	NIL	NIL	NIL	NIL
Mr. Dilip Kumar Srivastava	NIL	NIL	NIL	NIL	NIL
Mr. Pawan Kumar Danwar	NIL	NIL	NIL	NIL	NIL
Dr. Pradeep K. Khosla	NIL	NIL	NIL	NIL	5.25
Mr. Dharendra Singh	NIL	NIL	NIL	NIL	17.25
Ms. Sangeeta Talwar	NIL	NIL	NIL	NIL	18.00
Mr. Kaushik Dutta	NIL	NIL	NIL	NIL	15.75
Mr. Sanjeev Sharma	NIL	NIL	NIL	NIL	6.00
Ms. Ritu Arora	NIL	NIL	NIL	NIL	NIL

- Mr. Premkumar Seshadri is not paid any remuneration by the Company.
- The above remuneration excludes reimbursement of expenses on actual to the Directors for attending meetings of the Board/Committees.

- (ix) Details of Stock Options issued to Directors:

The Company has not granted any options to any of the Director of the Company.

- (x) Period of contract of Executive Director:

Mr. Premkumar Seshadri, Managing Director: 3 Years from 1<sup>st</sup> January, 2015.

- (xi) There were no pecuniary relationships or material, financial and commercial transactions of the Senior Management vis-à-vis the Company.

- (xii) As on 31<sup>st</sup> March, 2016, Mr. Kaushik Dutta was holding 4,000 shares & Mr. Sanjeev Sharma was holding 1000 shares in the Company. No other Director was holding any shares of the Company as on 31<sup>st</sup> March 2016. There is not any relationship between the Directors of the Company.

### iii. STAKEHOLDERS RELATIONSHIP COMMITTEE:

- (i) The Stakeholders Relationship Committee was constituted to oversee and review all matters connected with the transfer & transmission of Shares of the Company and the matters related thereto and redressal of Shareholders'/ Investors' complaints.



- (ii) The composition of the Stakeholders Relationship Committee and the details of meetings attended by its members are given below:

Name	Category	No. of Meetings	
		Held	Attended
Ms. Sangeeta Talwar (Chairperson)	Independent & Non-executive	3	3
Mr. Dharendra Singh	Independent & Non-executive	3	3
Mr. Premkumar Seshadri	Non-Independent & executive	3	3

- (iii) The Committee met three times during the financial year 2015-16 on the following dates:

19 <sup>th</sup> August, 2015	20 <sup>th</sup> October, 2015	25 <sup>th</sup> January, 2016
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- (iv) Name, designation and address of Compliance Officer:

Mr. Sushil Kumar Jain  
Company Secretary  
HCL Infosystems Limited  
E- 4,5,6, Sector 11,  
NOIDA (U.P.) – 201301  
Tel: 0120-2526490  
Fax:0120-2525196

- (v) During the year under review, the Company received One Complaint from SEBI/Stock Exchanges/MCA. The Complaint was redressed to the satisfaction of the shareholder. No complaint was pending either at beginning or at the end of the year. There were no shares pending for transfer as on 31<sup>st</sup> March, 2016.

#### iv. OTHER COMMITTEES

##### a) CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

- In compliance with Section 135 of Companies Act, 2013, Corporate Social Responsibility Committee was constituted in 2014.
- The Committee is governed by a Charter.
- The terms of reference of the Committee inter alia includes :-
  - To formulate and recommend to the Board, a CSR policy which shall indicate the activities to be undertaken by the Company;
  - To recommend the amount of expenditure to be incurred on the activities referred above;
  - To monitor the Corporate Social Responsibility Policy of the Company from time to time.
  - To undertake such other activities as it may deem expedient to discharge its functions or which can be assigned to it by the Board of Directors from time to time.
- The composition of the Corporate Social Responsibility Committee and the details of meetings attended by its chairperson/members are given below:

Name	Category	No. of Meetings	
		Held	Attended
Ms. Sangeeta Talwar (Chairperson)	Independent & Non-Executive Director	2	2
Mr. Pawan Kumar Danwar	Non-Independent & Non- Executive Director	2	2
Mr. Dilip Kumar Srivastava	Non-Independent & Non- Executive Director	2	2

##### b) FINANCE COMMITTEE

- The Company constituted a Committee of Director in 1999 and renamed as Finance Committee in 2011.
- The Committee is governed by a Charter.
- The terms of reference of the Committee inter alia includes to:-
  - Capital structure plans and specific equity and debt financings
  - Annual budgets and other financial estimates and provide its recommendations to the Board
  - Review the actual performance of the Company against the plans

- Capital expenditure plans and specific capital projects
  - Evaluate the performance of and returns on approved capital expenditure
  - Customer financing
  - Mergers, Acquisitions and Divestitures
  - Evaluate the performance of acquisitions
  - Fresh/further Investment in subsidiaries / JVs / Branches
  - Evaluate the performance of subsidiaries / JVs / Branches
  - Plans and strategies for managing the foreign exchange exposure
  - Investment of surplus funds
  - Recommend dividend policy to the Board
  - Insurance coverage and program
  - Review the corporate guarantees / bonds provided by the Company either directly or through banks in connection with the Company's business, to any third parties, and recommend the same to the Board
  - Approve opening / closing of bank accounts of the Company and change in signatories for operating the bank accounts.
  - Review of the total BG issued v/s BG Limits
- iv. The composition of the Finance Committee and the details of meetings attended by its chairman/members are given below:

Name	Category	No. of Meetings	
		Held	Attended
Mr. Kaushik Dutta (Chairperson)	Independent & Non-Executive	6	6
Mr. Premkumar Seshadri	Non-Independent & Executive	6	4
Mr. Pawan Kumar Danwar	Non-Independent & Non-Executive	6	5
Ms. Ritu Arora	Independent & Non-Executive	6	4

**c) TECHNOLOGY COMMITTEE**

- i. The Technology Committee was constituted in 2014.
- ii. The Committee is governed by a Charter.
- iii. The terms of reference of the Committee inter alia includes to:-
  - a) The Committee shall review and discuss with management the Company's overall technology and innovation strategy, including objectives, strategic initiatives, investments and research and development activities. Such review and discussions shall include, at the Committee's election, (i) participating in and facilitating the strategic planning process with regard to technology and innovation; (ii) reviewing and analyzing technology budget support for corporate strategic initiatives; and (iii) in recognition of the need to respond quickly to a rapidly evolving market environment, assisting management in prioritizing technology support for corporate strategic initiatives.
  - b) The Committee shall consult with the Finance Committee in connection with the Finance Committee's review and authorization of, or formulation of recommendations to the Board regarding, material acquisitions, dispositions, capital expenditures and long-term commitments, to the extent such actions relate to the Company's technology and innovation strategy.
  - c) The Committee shall periodically monitor and evaluate the performance of the Company's initiatives in support of its technology and innovation strategy, including the execution, consumer acceptance and integration of new products and services.
  - d) The Committee shall review and discuss with management, as appropriate, major technology risks and opportunities for the Company, and emerging issues and trends in the broader marketplace.
  - e) The Committee may delegate authority to individual Committee members or such subcommittees as the Committee deems appropriate and shall review the actions of all such individuals or subcommittees as appropriate.
  - f) The Committee may retain and terminate independent legal, financial or other advisers as it may deem necessary.
  - g) The Committee shall report to the Board regularly on its actions and deliberations and shall make recommendations, where appropriate, to the Board regarding the Company's technology strategy, policies and practices.

- iv. The composition of the Technology Committee and the details of meetings attended by its members are given below:

Name	Category	No. of Meetings	
		Held	Attended
Mr. Premkumar Seshadri (Chairperson)	Non-Independent & Executive	2	2
Dr. Nikhil Sinha	Non-Independent & Non-Executive	2	2
Dr. Pradeep Kumar Khosla	Independent & Non-Executive	2	2

#### 4. INDEPENDENT DIRECTORS' MEETING

During the period under review, the Independent Directors met on 28<sup>th</sup> March, 2016, inter alia, to discuss:

- review the performance of non-independent directors and the Board as a whole;
- review the performance of the Chairman of the Company, taking into account the views of executive directors and non-executive directors.
- assess quality, quantity and timeliness of flow of information between the Company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

All the Independent Directors were present at the Meeting.

#### 5. FAMILIARIZATION PROGRAMMES FOR INDEPENDENT DIRECTORS

During the year under review, no Independent Director was inducted on the Board of the Company. Apart of this the Company organizes the continual familiarisation programme to update the Independent Directors on the business and operations of the Company.

The details of such familiarization programmes are posted on the website of the Company and can be accessed at [http://www.hclinfosystems.in/sites/default/files/Familiarisation\\_programme\\_For\\_Independent\\_Directors.pdf](http://www.hclinfosystems.in/sites/default/files/Familiarisation_programme_For_Independent_Directors.pdf)

#### 6. CRITERIA/POLICY FOR APPOINTMENT OF DIRECTORS AND SENIOR MANAGEMENT AND THEIR REMUNERATION

##### a. Criteria of appointment of Director

###### Qualification & Criteria

- The Directors shall meet the criteria for qualification, experience and independence (in case of Independent Directors), as laid down by the Nomination & Remuneration Committee.

The proposed appointee shall also fulfill the following requirements:

- Shall possess a director's identification number;
- Shall not be disqualified under the Companies Act, 2013;
- Shall provide his/her written consent to act as a Director;
- Shall endeavour to attend all Board meetings and wherever he/she is appointed as a Board committee ("Committee") member, the Committee meetings;
- Shall abide by the Code of Conduct established by the Company for Directors and senior management personnel;
- Shall disclose his/her concern or interest in any company or companies or bodies corporate, firms, or other association of individuals including his/her shareholding at the time of appointment and the first meeting of the Board in every financial year and thereafter whenever there is a change in the disclosures already made;
- Shall meet the requirements of the Companies Act, 2013 and Clause 49 of the Listing Agreement concerning independence of directors, in the case of appointment of Independent Directors;
- Such other requirements as may be prescribed, from time to time, under the Companies Act, 2013 and other relevant laws.

The Nomination and Remuneration Committee (NRC) shall evaluate each individual with the objective of having a Board that best enables the success of the Company's business.

###### Vacation of office of Director

The office of Director shall be deemed to be vacated as per the provisions of the Companies Act, 2013.

##### b. Criteria of appointment of Senior Management

The following criteria are adopted for appointment of the Senior Management:

- There has to be a clear vacancy / requirement for the job for which the candidate (internal / external) is considered. The position should be cleared by the CPO & Managing Director.
- The job description / responsibilities/ reporting relationships must be clearly defined.
- The candidate being considered must be a known functional expert in the relevant field of work.

- The Senior Management candidate shall be interviewed by CPO, MD and by the panel decided by CPO & MD.
- The appointment of the final shortlisted candidate must also be approved by the Departmental Heads/CPO & MD.

Senior Management Personnel shall abide by the Code of Conduct established by the Company.

The NRC shall have discretion to consider and fix any other criteria or norms for selection of the most suitable candidate(s).

**c. Criteria for Determining Qualifications, Positive Attributes and Independence of a Director**

**1. Qualification for appointment of directors (including Independent Director)**

- Persons of eminence, standing and knowledge with significant achievements in business, professions and/or public service.
- Their skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research, corporate governance, operations or other disciplines related to the Company's business.
- As per the applicable provisions of Companies Act, 2013, Rules made thereunder and Clause 49 of Listing Agreement.

The Nomination and Remuneration Committee shall have discretion to consider and fix any other criteria or norms for selection of the most suitable candidate(s).

**2. Positive attributes of Directors (including Independent Directors):**

- Directors are to demonstrate integrity, credibility, trustworthiness, ability to handle conflict constructively, and the willingness to address issues proactively.
- Willingness to devote sufficient time and attention to the Company's business and discharge their responsibilities.
- To assist in bringing independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct.
- Ability to develop a good working relationship with other Board members and contribute to the Board's working relationship with the senior management of the Company.
- To act within their authority, assist in protecting the legitimate interests of the Company, its shareholders and employees.
- To exercise his/her responsibilities in a bona-fide manner in the interest of the Company.
- To assist the Company in implementing the best corporate governance practices.
- To maintain confidential information, including commercial secrets, technologies, advertising and sales promotion plans, unpublished price sensitive information, unless such disclosure is expressly approved by the Board or required by law.
- Independent Directors to meet the requirements of the Companies Act, 2013 read with the Rules made thereunder and Clause 49 of the Listing Agreement as amended from time to time.

**3. Independence of Independent Directors-**

An Independent director should meet the requirements of the Companies Act, 2013 and Clause 49 of the Listing Agreement concerning independence of directors.

**d. Remuneration Policy**

**a) Key principles of the Policy**

While designing compensation for Directors, Key Managerial Personnel and Senior Management, the following set of principles act as guiding factors:

- a) Aligning key executive and board remuneration with the long term interests of the Company and its shareholders.
- b) Minimize complexity and ensure transparency.
- c) Link compensation to long term strategy and annual business performance of the Company.
- d) Promotes a culture of meritocracy and is linked to key performance and business drivers.
- e) Reflective of line expertise, market competitiveness so as to attract the best talent.
- f) In evaluating the suitability of individual Board members, the Committee will take into account multiple factors, including their general understanding of the business, education, professional background, personal achievements, etc. Few important criteria against which each prospective candidate will also be evaluated are personal and professional ethics, integrity and values.



- g) Conduct a review of remuneration on a periodic basis to ensure directors of the Company are compensated effectively in a manner consistent with the business strategy of the Company, and to further ensure that the Company will be able to attract, retain and reward those who contribute to the success of the Company.

**b) Remuneration Policy for Executive Directors**

- a) The remuneration paid to Executive Directors is recommended by the Committee and approved by the Board in the Board meeting, subject to the subsequent approval by the shareholders at the general meeting and such other authorities, as the case may be.
- b) At the Board meeting, only the Non-Executive and Independent Directors participate in the item approving the remuneration paid to the Executive Directors. The remuneration is arrived at by considering various factors such as qualification, experience, expertise, prevailing remuneration in the industry and the financial position of the Company. The elements of the remuneration and limits are pursuant to the sections 178 and 197 of the Act, read with schedule V to the Act and Clause 49 of the Listing Agreement entered into by and between the Company and the stock exchange(s).
- c) The Board on the recommendation of the, Committee shall also review and approve the remuneration payable to the Key Managerial Personnel (KMP) of the Company.
- d) The remuneration structure to the Executive Directors and the KMP shall interalia include the following components as:-
  - (i) basic pay,
  - (ii) perquisite & allowances,
  - (iii) stock options,
  - (iv) annual performance bonus, and
  - (v) retiral benefits
- e) In determining the remuneration (including the fixed increment and performance bonus) the Committee shall ensure/ consider the following:
  - (a) the relationship of remuneration and performance benchmarks is clear;
  - (b) balance between fixed and incentive pay reflecting short and long term performance objectives is appropriate as per the working of the Company and its goals;
  - (c) responsibility required to be shouldered by the Executive Director, the industry benchmarks and the current trends;
  - (d) Company's performance vis-à-vis the annual budget achievement and individual performance vis-a-vis the KRAs / KPIs.

**c) Remuneration policy for Non- Executive & Independent Directors**

The Non-Executive Directors shall be entitled to receive remuneration by way of sitting fees, reimbursement of expenses for participation in the Board / Committee meetings and commission as detailed hereunder:

- a) A Non-Executive Director shall be entitled to receive sitting fees for each meeting of the Board or Committee of the Board attended by them, of such sum as may be approved by the Board of Directors within the overall limits prescribed under the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014;
- b) A Non-Executive Director will also be entitled to receive commission on an annual basis, of such sum as may be approved by the Board on the recommendation of the Committees subject to approval from the shareholders.
- c) The total commission payable to the Non-Executive Directors shall not exceed 1% of the net profit of the Company;
- d) The commission shall be payable on prorata basis to those Directors who occupy office for a part of the year.
- e) The Independent Directors of the Company shall not be entitled to participate in the Stock Option Scheme of the Company.

**d) Remuneration policy for Key Managerial Personnel/Senior Management & Other Employees**

- a) The Key Managerial Personnel /senior management & other employees shall be paid remuneration basis their employment agreement with the Company.
- b) Performance of Key Managerial Personnel/senior management & other employees shall be evaluated periodically against the defined & agreed Key Result Areas aligned to business & organization objectives transparently.

- c) The Remuneration for Key Managerial Personnel/senior management & other employees shall include fixed and performance bonus/ variable, balancing the short and long term performance objectives, scope of the role; appropriate as per the working of the Company and its goals.
- d) Schemes detailing the performance parameters & metrics for Key Managerial Personnel/senior management & other employees to earn their bonus/ variable shall be documented & made available for them to read & comprehend.
- e) Any changes in the remuneration value or structure for Key Managerial Personnel/senior management & other employees shall be in accordance to applicable employment law & will be communicated in writing to them.

## 7. PERFORMANCE EVALUATION

Pursuant to the provisions of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, a formal annual performance evaluation has been done by the Board of its own performance, the Directors individually as well as the evaluation of its Committees.

For evaluation an online Board Evaluation Tool had been live and was accessible to all the Directors to give their feedback on the various parameters to access the performance of the Board, its Committees and the Individual Directors including Independent Director. The Feedback received from the Directors had been summarized in the tabular form. Independent Directors in their separate meeting have reviewed the performance of non-independent directors and the Board as a whole. They also reviewed the performance of the Chairperson of the Company.

## 8. CODE OF BUSINESS CONDUCT AND ETHICS FOR DIRECTORS AND SENIOR MANAGEMENT:

The Company has adopted a comprehensive Code of Conduct for its Directors and Senior Management, which lays the standards of business conduct, ethics and governance.

The Code has been circulated to all the members of the Board and Senior Management and they have affirmed compliance of the same.

The declaration signed by the "Executive Vice Chairman & MD" is given below:

"I hereby confirm that:

The Company has obtained from all the members of the Board and Senior Management, affirmation that they have complied with the Code of Conduct for Directors and Senior Management in respect of the financial year 2015-16."

Sd/-

**Premkumar Seshadri**  
Executive Vice Chairman & MD

## 9. UNLISTED SUBSIDIARY COMPANIES:

The Company has fourteen unlisted subsidiaries as on 31<sup>st</sup> March, 2016 as under:

S. No.	Name of the Company	Date of Incorporation / Acquisition
1.	Digilife Distribution and Marketing Services Limited	19 <sup>th</sup> March, 2008
2.	HCL Services Limited (formerly known as HCL Care Limited)	28 <sup>th</sup> September, 2012
3.	HCL Learning Limited	28 <sup>th</sup> September, 2012
4.	HCL Infotech Limited (formerly known as HCL System Integration Limited)	28 <sup>th</sup> September, 2012
5.	Pimpri Chinchwade Services Limited	21 <sup>st</sup> September, 2010
6.	HCL Computing Products Limited	12 <sup>th</sup> July, 2012
7.	HCL Infosystems MEA FZE, Dubai (acquired)	4 <sup>th</sup> July, 2010
8.	HCL Infosystems LLC, Dubai (acquired)	4 <sup>th</sup> July, 2010
9.	HCL Infosystems MEA LLC Abu Dhabi (acquired)	4 <sup>th</sup> July, 2010
10.	HCL Insys Pte. Limited, Singapore	17 <sup>th</sup> December, 2009
11.	HCL Investments Pte. Limited, Singapore	29 <sup>th</sup> November, 2010
12.	HCL Infosystems South Africa (Pty) Limited, South Africa	9 <sup>th</sup> May, 2011
13.	HCL Touch Inc., US	29 <sup>th</sup> August, 2011
14.	HCL Infosystems Qatar WLL (acquired)	26 <sup>th</sup> January, 2012

The Audit Committee reviewed the financial statements of the unlisted subsidiary companies. The Minutes of the Board and Committee Meetings of the unlisted subsidiary companies are regularly placed before the Board. The Board also review the statement of all significant transaction and arrangement entered into by the unlisted subsidiary companies. Presently the company is having a policy on Subsidiaries which is posted on the website of the Company and can be assessed at [http://www.hclinfosystems.in/sites/default/files/Policy\\_on\\_Subsiidiaries.pdf](http://www.hclinfosystems.in/sites/default/files/Policy_on_Subsiidiaries.pdf)

#### 10. RELATED PARTY TRANSACTIONS

All the related party transactions were in the ordinary course of business and at arm's length. The Audit Committee has approved all related party transactions under the provisions of Section 188 of the Companies Act, 2013 and other applicable sections of the Companies Act, 2013 read with relevant rules for the financial year 2015-16. The Company has not entered into any contract / arrangement / transaction with related parties which could be considered material in accordance with the policy of the Company on materiality of related party transactions.

The Board of Directors of the Company has on the recommendation of the Audit Committee, adopted a Related Party Transactions Policy in compliance with the applicable provisions of the Companies Act, 2013 and the Listing Regulations. The said Policy is posted on the website of the Company and can be assessed at [http://www.hclinfosystems.in/sites/default/files/Policy\\_on\\_Related\\_Party\\_transactions.pdf](http://www.hclinfosystems.in/sites/default/files/Policy_on_Related_Party_transactions.pdf)

All Related Party Transactions are placed before the Audit Committee and also the Board for approval.

#### 11. VIGIL MECHANISM/WHISTLE BLOWER POLICY

Pursuant to the provisions of section 177(9) & (10) of the Companies Act, 2013 and Regulation 22 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, a Vigil Mechanism/ Whistle Blower Policy for Directors and employees to report concerns about unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct or ethics policy. No person has been denied access to the Chairman of the Audit Committee. The said Policy is posted on the website of the Company and can be assessed at [http://www.hclinfosystems.in/sites/default/files/Whistleblower\\_Policy\\_2016.pdf](http://www.hclinfosystems.in/sites/default/files/Whistleblower_Policy_2016.pdf).

#### 12. PROHIBITION OF INSIDER TRADING

As per SEBI (Prohibition of Insider Trading) Regulations, 2015, the Company had adopted the revised Code of Conduct for internal Procedures and to regulate, monitor and report trading by Insiders.

#### 13. GENERAL BODY MEETINGS:

- (i) The last three Annual General Meetings were held as under:

Financial Year	Date	Time	Location
2014-15	19 <sup>th</sup> November, 2015	10:00 A.M.	FICCI Auditorium, 1, Tansen Marg, New Delhi-110001
2013-14	12 <sup>th</sup> November, 2014	10:30 A.M	FICCI Auditorium, 1, Tansen Marg, New Delhi-110001
2012-13	15 <sup>th</sup> November, 2013	10:30 A.M	Air Force Auditorium, Subroto Park, DhaulaKuan, New Delhi 110010

- (ii) Special resolutions which were passed at last three AGMs are as follows:

##### 19<sup>th</sup> November, 2015

- No Special Resolution was passed

##### 12<sup>th</sup> November, 2014

- To continue payment of remuneration on existing basis to Mr. Harshavardhan Madhav Chitale, Managing Director & CEO.

##### 15<sup>th</sup> November, 2013

- Re-designation of Mr. Harshavardhan Madhav Chitale as Managing Director & Chief Executive Officer and payment of remuneration to him w.e.f. 1<sup>st</sup> July, 2013.
- Approval of remuneration paid to Mr. Harshavardhan Madhav Chitale for the year ended 30<sup>th</sup> June, 2013
- Approval of remuneration to Mr. J.V. Ramamurthy w.e.f. 1<sup>st</sup> July, 2013
- Approval of remuneration paid to Mr. J.V. Ramamurthy
- Approval of contract(s) with M/s Manipal Global Education Services Private Limited

#### 14. RESOLUTIONS WHICH WERE PASSED THROUGH POSTAL BALLOT

During the year, the members of the Company have approved the following Resolutions through postal ballot, the result of which was delivered on 27<sup>th</sup> January, 2016:

**➤ SPECIAL RESOLUTION**

- Creation of charge/mortgage on properties of the Company in favour of banks/FI's etc to secure the payment of the term loans/working capital facility etc. granted by the lenders to the Company and to the subsidiaries

The Board had appointed Mr. Vineet K Chaudhary, Practicing Company Secretary as Scrutinizer for conducting the postal ballot and e- voting process in a fair and transparent manner.

The details of the voting pattern in respect of Special Resolution through postal ballot was as under:

<b>• Creation of charge/mortgage on properties of the Company in favour of banks/FI's etc to secure the payment of the term loans/working capital facility etc. granted by the lenders to the Company and to the subsidiaries</b>							
<b>Promoter/ Public</b>	<b>No. of shares held</b>	<b>No. of votes polled</b>	<b>% of Votes Polled on outstanding shares</b>	<b>No. of Votes - in favour</b>	<b>No. of Votes - against</b>	<b>% of Votes in favour on votes polled</b>	<b>% of Votes against on votes polled</b>
	(a)	(b)	(c)=[(b)/(a)]*100	(d)	(e)	(f)=[(d)/(b)]*100	(g)=[(e)/(b)]*100
Promoter and Promoter Group	129,377,844	126,243,797	97.58	126,243,797	0	100	0
Public- Institutional Holders	11,495,565	7,628,090	66.36	7,628,090	0	100	0
Public- Others	82,046,220	344,967	0.42	239,602	105,365	69.46	30.54
<b>Total</b>	<b>222,919,629</b>	<b>134,216,854</b>	<b>60.21</b>	<b>134,111,489</b>	<b>105,365</b>	<b>99.92</b>	<b>0.08</b>
<b>The above resolution was duly approved with requisite majority by the members of the Company as Special resolution</b>							

There is no other immediate proposal for passing any resolution through Postal Ballot. None of the businesses proposed to be transacted at the ensuing Annual General Meeting require passing a resolution through Postal Ballot.

**15. MD/CFO CERTIFICATION:**

The Certificate as stipulated in Regulation 17(8) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 was placed before the Board along with the financial statements for the financial year ended 31<sup>st</sup> March, 2016 and the Board reviewed the same.

**16. DISCLOSURES:**

- The Company has complied with the requirements of the Stock Exchanges/SEBI/any Statutory Authority on all matters related to capital markets during the last three years. There are no penalties or strictures imposed on the Company by Stock Exchanges or SEBI or any Statutory Authorities relating to the above.
- A qualified Practicing Company Secretary carried out a Secretarial Audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The secretarial audit report confirms that the issued/paid-up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.
- The Company has adopted a statement indicating development and implementation of a risk management policy, including identification therein of elements of risk if any, which in the opinion of the Board may threaten the existence of the Company. As per the policy the Company has developed a well-defined Risk Management Framework to track and evaluate all business risks and process gaps. The top management of the Company takes periodic review of the business processes and environment risk analysis reports by the respective business heads. It covers identifying, analysing, planning, monitoring, controlling and preventing risks.
- Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, Secretarial Audit has been done by M/s Vineet K Chaudhary & Co.
- The Company has fulfilled the following non-mandatory requirements as prescribed in Part E of Schedule II Regulation 27(1) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 :
  - The Company has appointed separate persons to the post of Chairperson and Managing Director.
  - The statutory financial statements of the Company are unqualified.
  - Internal Auditor can directly report to the Audit Committee.



**17. MEANS OF COMMUNICATION:**

- (i) **Quarterly/Half Yearly/Annual Results:** The Quarterly, Half Yearly and Annual Results of the Company are sent to the Stock Exchanges immediately after they are approved by the Board.
- (ii) **News Releases:** The Quarterly, Half Yearly and Annual Results of the Company are published in the prescribed format within 48 hours of the conclusion of the meeting of the Board in which they are considered, at least in one English newspaper circulating in the whole or substantially the whole of India and in one Vernacular newspaper of the State where the Registered Office of the Company is situated.

The quarterly financial results during the financial year 2015-16 were published as detailed below:

Quarter (FY 2014-15)	Date of Board Meeting	Date of Publication	Name of the Newspaper
1	20 <sup>th</sup> August, 2015	21 <sup>st</sup> August, 2015	Business Standard & Veer Arjun
2	21 <sup>st</sup> October, 2015	22 <sup>nd</sup> October, 2015	Business Standard & Veer Arjun
3	25 <sup>th</sup> January, 2016	26 <sup>th</sup> January, 2016	Business Standard & Veer Arjun

- (iii) **Website:** The Company's website [www.hclinfosystems.com](http://www.hclinfosystems.com) contains a separate section on 'Investors' where the latest shareholders information is available. The Quarterly, Half Yearly and Annual Results are regularly posted on the website. Press releases made by the Company from time to time and presentations made to investors and analysts are displayed on the Company's website.
- (iv) **NSE Electronic Application Processing System (NEAPS), BSE Corporate Compliance & Listing centre:**  
National Stock Exchange of India Limited (NSE) and BSE Limited (BSE) have developed web based applications for Corporates. Periodical compliances like financial results, shareholding Pattern and corporate governance report, etc are also filed electronically on NEAPS/ BSE Listing centre.
- (v) **Annual Report:** Annual Report containing, inter alia, Audited Annual Accounts, Consolidated Financial Statements, Directors' Report, Auditors' Report and other important information is circulated to members and others entitled thereto. The Management Discussion and Analysis (MDA) Report forms part of the Annual Report. The Annual Report is also available on the Company's website.
- (vi) **Reminders to Investors:** Reminders for unpaid/unclaimed dividend are sent to the Shareholders as per records.

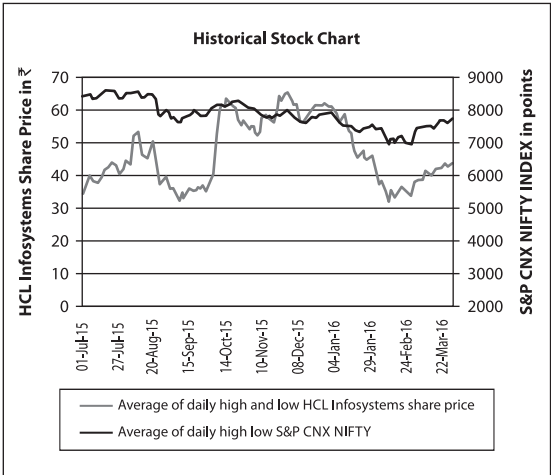
**18. GENERAL SHAREHOLDERS' INFORMATION:**

- (i) Annual General Meeting:  
Date : Thursday, 29<sup>th</sup> September, 2016  
Time : 10:00 A.M.  
Venue : Kamani Auditorium, 1, Copernicuss Marg, New Delhi-110 001
- (ii) The Company follows April to March year end.
- (iii) Financial Calendar (Tentative Calendar for the financial year 2016-17):  
Adoption of Results for the quarter ending 30<sup>th</sup> June, 2016 : 30<sup>th</sup> July, 2016  
Adoption of Results for the quarter ending 30<sup>th</sup> September, 2016 : 28<sup>th</sup> October, 2016  
Adoption of Results for the quarter ending 31<sup>st</sup> December, 2016 : 24<sup>th</sup> January, 2017  
Adoption of Results for the quarter ending 31<sup>st</sup> March, 2017 : 30<sup>th</sup> May, 2017
- (iv) Date of Book Closure : 26<sup>th</sup> September, 2016 (Monday) to 29<sup>th</sup> September, 2016 (Thursday) (both days inclusive)
- (v) Listing on Stock Exchanges : National Stock Exchange of India Limited  
BSE Limited
- (vi) Stock Codes/Symbol:  
National Stock Exchange of India Limited : HCL-INSYS  
BSE Limited : Physical Form – 179  
: Electronic Form – 500179

(vii) Market price data:

Month	Company's Share Price	
	High (₹)	Low (₹)
July, 2015	46.35	34.15
August, 2015	56.20	34.25
September, 2015	37.85	31.20
October, 2015	65.35	35.30
November, 2015	66.85	50.30
December, 2015	66.40	55.15
January, 2016	62.10	44.10
February, 2016	46.70	30.15
March, 2016	45.25	33.90

**Historical Stock Chart**



(source: The National Stock Exchange of India Ltd.)

(viii) Registrar and Transfer Agents (RTA):

Name & Address : M/s. Alankit Assignments Limited  
205-208, Anarkali Complex  
Jhanewalan Extension,  
New Delhi-110055

Contact Person : Mr. J. K. Singla, Senior Manager

Phone No. : 011-42541234, 23541234

Fax No. : 23552001

E-Mail : [rta@alankit.com](mailto:rta@alankit.com)

(ix) Share Transfer System:

Transfer of dematerialized shares is done through the depositories with no involvement of the Company. As regards transfer of shares held in physical form, the transfer documents can be lodged with Alankit Assignments Limited, the RTA of the Company, at their address mentioned above. Transfer of shares in physical form are normally processed within 10-15 days from the date of receipt, if the documents are complete in all respects.

(x) Shareholders' Referencer:

The shareholders' referencer is available on the Company's website. Any shareholder who wishes to obtain copy of the same can send his request to the Company Secretary.

(xi) Distribution of Shareholding as on 31<sup>st</sup> March, 2016:

No. of equity shares	Shareholders		Total Shares	
	Number	(%)	Number	(%)
Upto 500	69,858	79.51	99,78,616	4.48
501-1000	8,424	9.59	70,19,662	3.15
1001-2000	4,557	5.19	70,55,807	3.17
2001-3000	1,681	1.91	43,78,283	1.96
3001-4000	742	0.84	27,08,094	1.22
4001-5000	705	0.80	33,87,959	1.52
5001-10000	961	1.09	73,29,031	3.29
10001 and above	938	1.07	18,10,62,177	81.21
<b>Total</b>	<b>87,866</b>	<b>100.00</b>	<b>22,29,19,629</b>	<b>100.00</b>

(xii) Shareholding pattern as on 31<sup>st</sup> March, 2016:

Category	No. of shares	Percentage (%)
Promoters / Promoters Group	12,93,77,844	58.04
Mutual Funds / UTI	17,117	0.01
Financial Institutions / Banks	42,46,870	1.90
Foreign Institutional Investors	10,40,061	0.47
Foreign Portfolio Investors	26,92,918	1.21
Bodies Corporate	1,73,08,023	7.76
Indian Public	6,56,88,024	29.47
NRI / OCBs/Foreign Body Corporate/Trust	25,48,772	1.14
<b>TOTAL</b>	<b>22,29,19,629</b>	<b>100.00</b>

(xiii) Dematerialization of shares:

The shares of the Company are compulsorily traded in dematerialized form and are available for trading on both the depositories in India i.e. NSDL & CDSL. As on 31<sup>st</sup> March, 2016, 98.59 % equity shares of the Company were held in dematerialized form.

The Company's shares are regularly traded on the NSE and the BSE in electronic form.

Under the Depository system, the International Securities Identification Number (ISIN) allotted to the Company's shares is INE 236A01020.

(xiv) The Company has not issued any GDRs/ADRs There are no outstanding Warrants or Convertible instruments as on 31<sup>st</sup> March, 2016.

(xv) Plant locations:

- Plot Nos. 1, 2, 27 & 28, Sector- 5, IIE - Pant Nagar (SIDCUL-Rudrapur), Distt.-Udham Singh Nagar, Uttarakhand - 263 153
- R.S. No: 107/5,6 & 7, Main road, Sedarapet, Pondicherry-605111 -

(xvi) Address for Correspondence:

The shareholders may address their communication/suggestions/grievances/queries to the Registrar and Share Transfer Agents at the address mentioned above, or to:

The Company Secretary

HCL Infosystems Limited

E – 4, 5, 6, Sector – 11,

NOIDA (U.P.) – 201301.

Tel. No.: 0120-2520977,2526518, 2526519

Fax: 0120-2525196

Email: [cosec@hcl.com](mailto:cosec@hcl.com)

(xvii) Company Website:

The Company has its website namely [www.hclinfosystems.com](http://www.hclinfosystems.com). This provides detailed information about the Company, its subsidiaries, products and services offered, locations of its corporate office and various sales offices etc. It also contains updated information on the financial performance of the Company and procedures involved in completing various investors' related transactions expeditiously. The quarterly results, annual reports and shareholding distributions etc. are updated on the website of the Company from time to time.



**HCL INFOSYSTEMS**

# Auditors' Certificate regarding compliance of conditions of Corporate Governance

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To the Members of HCL Infosystems Limited

We have examined the compliance of conditions of Corporate Governance by HCL Infosystems Limited, for the year ended March 31, 2016 as stipulated in Regulations 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27 and clauses (b) to (i) of sub-regulation (2) of regulation 46 and para C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (collectively referred to as "SEBI Listing Regulations, 2015).

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance, issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the SEBI Listing Regulations, 2015.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Price Waterhouse  
Firm Registration Number - 301112E  
Chartered Accountants

Avijit Mukerji  
Partner  
Membership No. 056155

Place : Noida  
Date : May 25, 2016



# Secretarial Audit Report

**(For the Financial Year (Nine Months) ended on 31<sup>st</sup> March 2016)**

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,

The Members,

**HCL INFOSYSTEMS LIMITED**

CIN L72200DL1986PLC023955

806, SIDDHARTH 96, NEHRU PLACE,

NEW DELHI -110019.

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **HCL INFOSYSTEMS LIMITED** (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has during the audit period of 9 months (from July 1, 2015 to March 31, 2016) covering the financial year ended on March 31, 2016 complied with the statutory provisions listed hereunder and also that the Company has proper Board- processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2016 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) The Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - (c) The Securities And Exchange Board Of India (Listing Obligations And Disclosure Requirements) Regulations, 2015;
  - (d) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009; **Not Applicable**
  - (e) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
  - (f) The Securities and Exchange Board of India (Issue and Listing of Debt securities) Regulations, 2008- **Not Applicable**
  - (g) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
  - (h) The Securities and Exchange Board of India (Delisting of Equity shares) Regulations, 2009- **Not Applicable**
  - (i) The Securities and Exchange Board of India (Buy back of securities) Regulations, 1998- **Not Applicable**



## HCL INFOSYSTEMS

(vi) The Company has identified following laws specifically applicable on the Company: -

- a) The Information Technology Act, 2000.
- b) The Indian Copyright Act, 1957.
- c) The Patents Act, 1970.
- d) The Trade Marks Act, 1999.
- e) Legal Metrology Act, 2009

We have also examined compliance with the applicable provisions of the following: -

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India.
- (ii) The Listing Agreements entered into by the Company with BSE Limited and National Stock Exchange of India Limited.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Standards & Guidelines etc. mentioned above.

**We further report that** the Board of Directors of the Company has been duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes.

**We further report that** there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

**We further report that** during the audit period the Company has no specific events/ actions, having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, standards & guidelines, etc.

For V. K. Chaudhary & Co.  
Company Secretaries

Vineet K Chaudhary  
Prop.  
FCS No. 5327 , CP No. 4548

Place : Noida

Date : 25<sup>th</sup> May, 2016

Note: This report is to be read with our letter of even date which is annexed as **Annexure A** and forms an integral part of this report.

To,

The Members,

**HCL INFOSYSTEMS LIMITED**

**CIN L72200DL1986PLC023955**

806, SIDDHARTH 96, NEHRU PLACE,

NEW DELHI -110019

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc. Further, our verification to the compliance of the laws applicable specifically to the Company are limited to test check on random basis without going into the detailed technical scrutiny.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

**For V. K. Chaudhary & Co.**  
(Company Secretaries)

Vineet K Chaudhary  
**FCS No.5327**  
**C P No.4548**

**Date:** - May 25, 2016

**Place:** - Noida



**HCL INFOSYSTEMS**

# Annual Accounts - Parent Company

## Independent Auditors' Report

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**TO**

**The Members of HCL Infosystems Limited**

**Report on the Standalone Financial Statements**

1. We have audited the accompanying standalone financial statements of **HCL Infosystems Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2016, the Statement of Profit and Loss, the Cash Flow Statement for the nine months period then ended, and a summary of the significant accounting policies and other explanatory information.

### **Management's Responsibility for the Standalone Financial Statements**

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements to give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

3. Our responsibility is to express an opinion on these standalone financial statements based on our audit.
4. We have taken into account the provisions of the Act and the Rules made there under including the accounting standards and matters which are required to be included in the audit report.
5. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.
7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

### **Opinion**

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2016, and its loss and its cash flows for the nine months period ended on that date.

### **Report on Other Legal and Regulatory Requirements**

9. As required by 'the Companies (Auditor's Report) Order, 2016', issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act (hereinafter referred to as the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure B a statement on the matters specified in paragraphs 3 and 4 of the Order.
10. As required by Section 143 (3) of the Act, we report that:
  - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.



- (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- (d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- (e) On the basis of the written representations received from the directors as on March 31, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.
- (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in Annexure A.
- (g) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our knowledge and belief and according to the information and explanations given to us:
  - i. The Company has disclosed the impact, if any, of pending litigations as at March 31, 2016 on its financial position in its standalone financial statements – Refer Note 29;
  - ii. The Company has long-term contracts as at March 31, 2016 for which there were no material foreseeable losses. The Company did not have any long-term derivative contracts as at March 31, 2016.
  - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company during the nine months period ended March 31, 2016.

For Price Waterhouse  
Firm Registration Number: 301112E  
Chartered Accountants

Avijit Mukerji  
Partner  
Membership Number: 056155

Place of the Signature : Noida  
Date : May 25, 2016

# Annexure A To Independent Auditors' Report

**Referred to in paragraph 10(f) of the Independent Auditors' Report of even date to the members of HCL Infosystems Limited on the standalone financial statements for the nine months period ended March 31, 2016.**

**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act**

1. We have audited the internal financial controls over financial reporting of HCL Infosystems Limited ("the Company") as of March 31, 2016 in conjunction with our audit of the standalone financial statements of the Company for the nine months period ended on that date.

**Management's Responsibility for Internal Financial Controls**

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

**Auditors' Responsibility**

3. Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing deemed to be prescribed under section 143(10) of the Act to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

**Meaning of Internal Financial Controls over Financial Reporting**

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

**Inherent Limitations of Internal Financial Controls over Financial Reporting**

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

**Opinion**

8. In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For Price Waterhouse  
Firm Registration Number: 301112E  
Chartered Accountants

Avijit Mukerji  
Partner  
Membership Number: 056155

Place of the Signature : Noida  
Date : May 25, 2016

# Annexure B To Independent Auditors' Report

**Referred to in paragraph 9 of the Independent Auditors' Report of even date to the members of HCL Infosystems Limited on the standalone financial statements as of and for the nine months period ended March 31, 2016**

- i. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
- (b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the nine months period and no material discrepancies have been noticed on such verification.
- (c) The title deeds of immovable properties, as disclosed in Note 11 on fixed assets to the financial statements, are held in the name of the Company, except for the immovable property mentioned below.

Particulars	Gross Block	Net Block
Land and Building, Ambattur, Chennai	5.58 Crores	3.28 Crores

- ii. The physical verification of inventory have been conducted at reasonable intervals by the Management during the nine months period. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
- iii. (a) The Company has granted unsecured loans, to one company covered in the register maintained under Section 189 of the Act.
- (b) In respect of the aforesaid loans, the terms and conditions under which such loans were granted are not prejudicial to the Company's interest.
- (c) In respect of the aforesaid loans, the schedule of repayment of principal and payment of interest has been stipulated, and the parties are repaying the principal amounts, as stipulated, and are also regular in payment of interest as applicable.
- (d) In respect of the aforesaid loans, there is no amount which is overdue for more than ninety days.
- iv. The Company has not granted any loans or made any investments, or provided any guarantees or security to the parties covered under Section 185 and 186. Therefore, the provisions of Clause 3(iv) of the said Order are not applicable to the Company.
- v. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified.
- vi. The Central Government of India has not specified the maintenance of cost records under sub-section (1) of Section 148 of the Act for any of the products of the Company.
- vii. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues in respect of value added tax, employees' state insurance, service tax, and is regular in depositing undisputed statutory dues, including provident fund, sales tax, income tax, duty of customs, duty of excise and other material statutory dues, as applicable, with the appropriate authorities.
- (b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of service-tax, duty of customs which have not been deposited on account of any dispute. The particulars of dues of income tax, sales tax, and value added tax as at March 31, 2016 which have not been deposited on account of a dispute, are as follows:

Name of the statute	Nature of dues	Amount (₹ in Crores.)	Amount deposited (₹ in Crores)	Period to which the amount relates	Forum where the dispute is pending
Uttar Pradesh Trade Tax Act, 1948	Sale Tax	1.41	3.61	2002-2007	Tribunal Commercial Tax, Noida / Additional Commissioner (Appeals) of Commercial Tax Noida / Hon'ble High court Allahabad

Contd....

Name of the statute	Nature of dues	Amount (₹ in Crores.)	Amount deposited (₹ in Crores)	Period to which the amount relates	Forum where the dispute is pending
U.P.Value Added Tax Act-2008	Sales Tax	10.53	2.59	2007-16	Hon'ble High court Allahabad / Tribunal Commercial Tax / Noida.Additional Commissioner (Appeals) of Commercial Tax
Delhi Sales Tax Act, 1975	Sales Tax	0.08	0.01	2003-05	Assisstant. Commisisoner Sales Tax Delhi / Joint Commissioner (Appeals) of Sales Tax Delhi
Delhi Value Added Tax Act, 2004	Trade Tax	15.26	0.20	2005-14	Tribunal of Sales Tax Delhi / Deputy Commissioner (Appeals) of Sales Tax Delhi
Tamil Nadu General Sales Tax Act, 1959	Sales Tax	11.69	6.64	2004-14	Commercial Tax Officer Chennai / Deputy Commissioner (Appeals) of Sales Tax Chennai
West Bengal Sales Tax Act, 1994	Sales Tax	8.094	0.67	2005-12	Board of Sales Tax Kolkata / Sales Tax Tribunal, Kolkata / Additional Commissioner (Appeals) of Sales Tax Kolkata
Rajasthan Sales Tax Act, 1994	Sales Tax	0.02	0.0007	2003-05	Deputy Commissioner (Appeals) of Sales Tax Jaipur
Rajasthan Value Added Tax Act, 2003	Commercial tax	125.80	55.81	2006-2013	Deputy Commissioner (Appeals) of Commercial Tax Jaipur / Tax board Commercial Tax Jaipur / Tax board Commercial Tax Jaipur / Hon'ble Rajasthan High Court
Kerala General Sales Tax Act, 1963	Sales Tax	0.56	0.20	2005-15	Commercial Tax Officer / Deputy Commissioner (Appeals) of Sales Tax Kochi
The Uttaranchal Value Added Tax Act-20052	Sales Tax	81.29	0.35	2008-13	Deputy. Commissioner Commercial Tax Dehradun
Jammu & Kashmir Value Added Tax Act, 2005	Sales Tax	2.71	0.04	2007-2008 2008-2009 2012-2013 2013-2014	Deputy Commissioner Appeals Jammu
Punjab General Sales Tax Act, 1948	Sales Tax	0.12	0.16	2007-2008	Sales Tax Tribunal, Chandigarh
Andhra Pradesh Value Added Tax Act, 2005	Sales tax	0.27	0.20	2006-09	Deputy Commissioner Appeals Hydrabad
Karnataka Value Added Tax Act, 2003	Sales Tax	1.46	0.81	2008-12	Assessing Officer / Deputy Commissioner Appeal Bangalore
Orissa Value Added Tax Act, 2004	Sales Tax	0.75	0.16	2005-14	Deputy Commissioner Appeal (Bhubaneswar) / Hon'ble High Court of Orrisa

Name of the statute	Nature of dues	Amount (₹ in Crores.)	Amount deposited (₹ in Crores)	Period to which the amount relates	Forum where the dispute is pending
Bihar Value Added Tax Act, 2005	Sales Tax	21.79	5.27	2006-15	Joint. Commissioner Appeal Patna / Hon'ble Patna High Court
Jharkhand Value Added Tax Act, 2005	Sales Tax	0.41	0.00	2011-2012	Joint Commissioner Appeal
M.P. Value Added Tax Act, 2002	Sales Tax	0.24	0.17	2011-14	Joint Commissioner Appeal
Maharashtra Value Added Tax Act, 2002	Sales Tax	24.15	0.98	2005-11	Joint Commissioner Appeal
Central Excise Act, 1944	Excise Duty	97.57	6.95	2002-11	CESTAT Chennai / Commissioner (Appeals) Chennai / Commissioner (Appeals) CESTAT, Delhi / Allahabad High Court/ Tribunal Chennai / Additional Commissioner, Mumbai
Income Tax Act, 1961	Income Tax	6.19	0.00	2004-13	Assessing Officer, Delhi/ITAT, Delhi/CIT (Appeals), Delhi

- viii. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of loans or borrowings to any financial institution or bank or Government or dues to debenture holders as at the balance sheet date.
- ix. In our opinion, and according to the information and explanations given to us, the moneys raised by way of term loans have been applied for the purposes for which they were obtained. The Company has not raised any moneys by way of initial public offer or further public offer (including debt instruments).
- x. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the nine months period, nor have we been informed of any such case by the Management.
- xi. The Company has not paid/ provided for managerial remuneration-Refer Note 47 to the financial statements. Accordingly, the provisions of Clause 3(xi) of the Order are not applicable to the Company.
- xii. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.
- xiii. The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the financial statements as required under Accounting Standard (AS) 18, Related Party Disclosures specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- xiv. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the nine month period under review. Accordingly, the provisions of Clause 3(xiv) of the Order are not applicable to the Company.
- xv. The Company has not entered into any non cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.
- xvi. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

For Price Waterhouse  
Firm Registration Number: 301112E  
Chartered Accountants

Avijit Mukerji  
Partner  
Membership Number: 056155

Place of the Signature : Noida  
Date : May 25, 2016



# Balance Sheet

as at March 31, 2016

	Notes	As at 31.03.2016 ₹ /Crores		As at 30.06.2015 ₹ /Crores	
<b>Equity and Liabilities:</b>					
<b>Shareholders' funds</b>					
Share capital	2	44.58	1,226.91	44.58	1,437.14
Reserves and surplus	3	1,182.33		1,392.56	
<b>Non-current liabilities</b>					
Long-term borrowings	4	107.42	117.50	164.35	172.86
Other long-term liabilities	5	5.32		5.91	
Long-term provisions	6	4.76		2.60	
<b>Current liabilities</b>					
Short-term borrowings	7	423.82		575.98	
Trade payables	8				
– Total outstanding dues of micro enterprises and small enterprises and		0.03		0.07	
– Total outstanding dues of creditors other than micro enterprises and small enterprises		453.59		551.19	
Other current liabilities	9	222.22		372.55	
Short-term provisions	10	3.40	1,103.06	4.00	1,503.79
<b>Total Equity and Liabilities</b>			2,447.47		3,113.79
<b>Assets:</b>					
<b>Non-current assets</b>					
Fixed assets					
- Tangible assets	11	81.48		80.70	
- Intangible assets	11	0.04		0.11	
- Capital work-in-progress		0.25		0.15	
Non-current investments	12	971.53	1,166.09	642.96	756.54
Long-term loans and advances	14	112.79		32.62	
<b>Current assets</b>					
Current investments	13	49.97		234.84	
Inventories	15	95.76		126.80	
Trade receivables	16	312.99		402.38	
Cash and bank balances	17	99.55		67.43	
Short-term loans and advances	18	722.52		1,525.06	
Other current assets	19	0.59	1,281.38	0.74	2,357.25
<b>Total Assets</b>			2,447.47		3,113.79
<b>Significant Accounting Policies</b> 1					

This is the Balance Sheet referred to in our report of even date

The notes referred to above form an integral part of the Balance Sheet

**For Price Waterhouse**

Firm Registration Number-301112E  
Chartered Accountants

**AVIJIT MUKERJI**

Partner  
Membership Number -056155

**For and on behalf of the Board of Directors**
**PREMKUMAR SESHADRI**

Executive Vice Chairman  
& Managing Director  
DIN - 03114983

**KAUSHIK DUTTA**

Director  
DIN - 03328890

**S G MURALI**

Group Chief Financial Officer

**SUSHIL KUMAR JAIN**

Company Secretary

Place : Noida  
Date : May 25, 2016

# Statement of Profit & Loss

for the period ended March 31, 2016

	Notes	Nine months ended 31.03.2016 ₹ /Crores		Year ended 30.06.2015 ₹ /Crores	
<b>Revenue:</b>					
Revenue from operations (gross)	20	2,499.27		4,311.85	
Less: Excise Duty		0.01	2,499.26	–	4,311.85
Other income	21		113.69		144.88
<b>Total Revenue</b>			<b>2,612.95</b>		<b>4,456.73</b>
<b>Expenses:</b>					
Cost of materials consumed	36		0.08		13.26
Purchases of stock-in-trade	33		2,321.93		3,953.29
(Increase) / Decrease in inventories of finished goods, work-in-progress and stock-in-trade	22		31.23		70.79
Other direct expense	23		22.59		57.69
Employee benefits expense	24		60.29		94.48
Finance costs	25		79.73		96.74
Depreciation and amortisation expense	11		4.12		6.87
Net Loss on Foreign Exchange Fluctuation (Other than considered as Finance cost)			0.47		2.16
Other expenses	26		72.91		88.32
<b>Total Expense</b>			<b>2,593.35</b>		<b>4,383.60</b>
<b>Profit before exceptional and extraordinary items and tax</b>			<b>19.60</b>		<b>73.13</b>
Exceptional items	27		(228.68)		(139.34)
<b>Loss before tax</b>			<b>(209.08)</b>		<b>(66.21)</b>
Tax Expense					
Current tax		8.42		22.96	
Less: MAT Credit Entitlement		(7.23)	1.19	(18.28)	4.68
<b>Loss for the year</b>			<b>(210.27)</b>		<b>(70.89)</b>
<b>Earning/(Loss) per equity share (in ₹)</b>	43				
Basic (of ₹ 2/- each)			(9.43)		(3.18)
Diluted (of ₹ 2/- each)			(9.43)		(3.18)
<b>Significant Accounting Policies</b>	1				

This is the Balance Sheet referred to in our report of even date

## For Price Waterhouse

Firm Registration Number-301112E  
Chartered Accountants

## AVIJIT MUKERJI

Partner  
Membership Number -056155

Place : Noida  
Date : May 25, 2016

The notes referred to above form an integral part of the Statement of Profit and Loss

## For and on behalf of the Board of Directors

## PREMKUMAR SESHADRI

Executive Vice Chairman  
& Managing Director  
DIN - 03114983

## S G MURALI

Group Chief Financial Officer

## KAUSHIK DUTTA

Director  
DIN - 03328890

## SUSHIL KUMAR JAIN

Company Secretary

# Cash Flow Statement

for the period ended March 31, 2016

	Nine months ended 31.03.2016 ₹ /Crores		Year ended 30.06.2015 ₹ /Crores	
<b>1. Cash Flow from Operating Activities:</b>				
<b>Loss before tax</b>		<b>(209.08)</b>		<b>(66.21)</b>
<b>Adjustments for:</b>				
Depreciation and Amortisation Expense	<b>4.12</b>		6.87	
Finance Cost	<b>79.73</b>		96.74	
Interest Income	<b>(89.84)</b>		(122.72)	
Dividend Income	<b>(5.68)</b>		(9.34)	
Net Profit on Sale of Fixed Assets	<b>(2.74)</b>		(13.84)	
Fixed Assets Written-Off	<b>0.06</b>		–	
Profit on Disposal of Unquoted (Others) Current Investments	<b>(3.80)</b>		(3.31)	
Diminution Other than Temporary in the value of Long term Investment	<b>231.46</b>		155.25	
Profit on Sale of Investment in Subsidiary	<b>–</b>		(6.60)	
Provision for Doubtful Debts	<b>8.27</b>		5.43	
Provision for Doubtful Loans and Advances and Other Current Assets	<b>0.84</b>		4.27	
Provisions/Liabilities no longer required Written Back	<b>(6.08)</b>	<b>216.34</b>	(1.04)	111.71
<b>Operating Profit before working capital changes</b>		<b>7.26</b>		<b>45.50</b>
<b>Adjustments for changes in working capital:</b>				
- Decrease in Trade Receivables	<b>81.12</b>		21.32	
- (Increase)/Decrease in Loans and Advances and Other Assets	<b>(60.34)</b>		0.75	
- Decrease in Inventories	<b>31.04</b>		74.48	
- (Decrease) in Liabilities	<b>(87.35)</b>	<b>(35.53)</b>	(208.77)	(112.22)
<b>Cash used in operations</b>		<b>(28.27)</b>		<b>(66.72)</b>
- Taxes (Paid)/Received (Net of Tax Deducted at Source)		<b>–</b>		<b>(0.04)</b>
<b>Net cash used in operating activities</b>	<b>(A)</b>	<b>(28.27)</b>		<b>(66.76)</b>
<b>2. Cash flow from Investing Activities:</b>				
Purchase of Fixed Assets (including Intangible Assets)	<b>(10.86)</b>		(5.05)	
Capital Work-In-Progress (including Intangible Assets under Development)	<b>(0.10)</b>		(0.15)	
Proceeds from Sale of Fixed Assets	<b>10.24</b>		17.59	
Proceeds from Sale of Current Investments	<b>358.67</b>		430.78	
Purchase of Current Investments	<b>(170.00)</b>		(487.53)	
Interest Received	<b>89.84</b>		110.45	
Redemption/Maturity of Bank Deposits (with original maturity of more than three months)	<b>–</b>		129.14	
Movement in Margin Money Account	<b>0.01</b>		–	
Dividend Received on Current Investments	<b>5.68</b>		9.34	
Inter corporate deposits received back/(given)	<b>778.56</b>		(364.16)	
Sale/(Purchase) of Investment in Subsidiary	<b>(560.02)</b>	<b>502.02</b>	47.34	(112.25)
<b>Net cash from/(used in) investing activities</b>	<b>(B)</b>	<b>502.02</b>		<b>(112.25)</b>

# Cash Flow Statement

for the period ended March 31, 2016

	Nine months ended 31.03.2016 ₹ /Crores		Year ended 30.06.2015 ₹ /Crores	
<b>3. Cash Flow from Financing Activities:</b>				
Securities Premium Received (Net)	<b>0.04</b>		–	
<b>Secured Loans</b>				
Proceeds from short term borrowings	<b>581.38</b>		804.20	
Repayment of short term borrowings	<b>(558.52)</b>		(855.11)	
Proceeds from long term borrowings	<b>50.09</b>		100.00	
Repayment of long term borrowings	<b>(249.21)</b>		(0.09)	
<b>Unsecured Loans</b>				
Proceeds from short term borrowings	<b>900.00</b>		488.74	
Repayment of short term borrowings	<b>(1,075.00)</b>		(273.86)	
Proceeds from long term borrowings	<b>71.48</b>		71.34	
Repayment of long term borrowings	<b>(83.43)</b>		(70.05)	
Interest Paid	<b>(78.10)</b>		(96.24)	
Dividend Paid/Amount Transferred to Investor Education & Protection Fund	<b>(0.35)</b>	<b>(441.62)</b>	(0.49)	168.44
<b>Net cash from/(used in) financing activities (C)</b>		<b>(441.62)</b>		168.44
<b>Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)</b>		<b>32.13</b>		(10.57)
Opening Balance of Cash and Cash Equivalents		<b>64.07</b>		74.64
Closing Balance of Cash and Cash Equivalents		<b>96.20</b>		64.07
<b>Cash and cash equivalents comprise of</b>		<b>96.20</b>		64.07
Cash, Cheques and Drafts (on hand)		<b>3.90</b>		2.55
Balances with Banks on Current Accounts and Dividend Accounts		<b>86.39</b>		31.54
Balances with Banks on Deposits Accounts		<b>5.91</b>		29.98

## Notes:

- The above Cash Flow Statement has been prepared under the indirect method set out in Accounting Standard-3, notified u/s 211(3C) of Companies (Accounting Standard) Rules 2006, as amended and relevant provisions of the Companies Act, 2013.
- Cash and cash equivalents include balances with banks in unclaimed dividend accounts amounting to ₹ 1.81 Crores (2015 - ₹ 2.19 Crores) which are not available for use by the Company.
- Figures in brackets indicate cash outflow.

This is the Balance Sheet referred to  
in our report of even date

**For Price Waterhouse**

Firm Registration Number-301112E  
Chartered Accountants

**AVIJIT MUKERJI**

Partner  
Membership Number -056155

Place : Noida

Date : May 25, 2016

**For and on behalf of the Board of Directors****PREMKUMAR SESHADRI**

Executive Vice Chairman  
& Managing Director  
DIN - 03114983

**S G MURALI**

Group Chief Financial Officer

**KAUSHIK DUTTA**

Director  
DIN - 03328890

**SUSHIL KUMAR JAIN**

Company Secretary

# Notes

to the Financial Statements

## 1. SIGNIFICANT ACCOUNTING POLICIES

### a. BASIS OF PREPARATION

These financial statements have been prepared in accordance with the generally accepted accounting principles in India under the historical cost convention on accrual basis. Pursuant to Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014, till the Standards of Accounting or any addendum thereto are prescribed by Central Government in consultation and recommendation of the National Financial Reporting Authority, the existing Accounting Standards notified under the Companies Act, 1956 shall continue to apply. Consequently these financial statements have been prepared to comply in all material aspects with the Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 (Companies Accounting Standards Rules, 2006, as amended) and other relevant provisions of the Companies Act, 2013.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current – non-current classification of assets and liabilities.

The Ministry of Corporate Affairs (MCA) has notified the Companies (Accounting Standard) Amendment Rules, 2016 vide its notification dated 30 March, 2016. The said notification read with Rule 3(2) of the Companies (Accounting Standard) Rules, 2006 is applicable to accounting period commencing on or after the date of notification i.e. 1 April, 2016.

### b. FIXED ASSETS

Tangible Fixed Assets including in-house capitalisation and Capital work-in-progress are stated at cost except those which are revalued from time to time on the basis of current replacement cost/value to the Company, net of accumulated depreciation.

Assets taken on finance lease on or after April 1, 2001 are stated at fair value of the assets or present value of minimum lease payments whichever is lower.

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

Losses arising from the retirement of, and gains or losses arising from disposal of fixed assets which are carried at cost are recognised in the Statement of Profit and Loss.

Intangible Assets are stated at acquisition cost, net of accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised on a straight line basis over their estimated useful lives.

### c. DEPRECIATION AND AMORTISATION

Depreciation is being provided as given below:

(a) Depreciation on fixed assets of the Company is provided on a pro-rata basis on straight-line method using the useful lives of assets prescribed in Schedule II of the Companies Act, 2013.

(b) Intangible Assets are amortised at straight line basis as follows:

Software	1-5 years
----------	-----------

The amortisation period and the amortisation method are reviewed at least at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly. Gains or losses arising from the retirement or disposal of an intangible asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognised as income or expense in the Statement of Profit and Loss.

(c) Leasehold Land is amortised over a period of lease. Leasehold improvements are amortised on straight line basis over the period of three years or lease period whichever is lower.

### d. INVESTMENTS

Long-term investments are stated at cost of acquisition inclusive of expenditure incidental to acquisition. Any decline in the value of the said investment, other than a temporary decline, is recognised and charged to Statement of Profit and Loss.

Current investments are carried at lower of cost or fair value where fair value for mutual funds is based on net asset value and for bonds is based on market quote.



# Notes to the Financial Statements

## e. INVENTORIES

Raw Materials and Components held for use in the production of Finished Goods and Work-In-Progress are valued at cost if the finished goods in which they will be incorporated are expected to be sold at or above cost. Cost is determined on the basis of weighted average.

Finished Goods, Stock-In-Trade and Work-In-Progress are valued at lower of cost and net realisable value.

Cost of Finished Goods and Work-In-Progress includes cost of raw materials and components, direct labour and proportionate overhead expenses. Cost is determined on the basis of weighted average.

Stores and Spares are valued at lower of cost and net realisable value/future economic benefits expected to arise when consumed during rendering of services. Adequate adjustments are made to the carrying value for obsolescence. Cost is determined on the basis of weighted average.

Goods In-Transit are valued inclusive of custom duty, where applicable.

## f. FOREIGN CURRENCY TRANSACTIONS

- a) Foreign currency transactions are recorded at the exchange rates prevailing at the date of transaction. Exchange differences arising on settlement of transactions, are recognised as income or expense in the year in which they arise.
- b) At the balance sheet date, all monetary items denominated in foreign currency, are reported at the exchange rates prevailing at the balance sheet date and the resultant gain or loss is recognised in the Statement of Profit and Loss. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.
- c) With respect to exchange differences arising on translation of long term foreign currency monetary items having a term of 12 months or more, from July 1, 2011 onwards, the Company has adopted the following policy:
  - (i) Exchange differences relating to long term foreign currency monetary items, arising during the year, in so far as they relate to the acquisition of a depreciable capital asset are added to or deducted from the cost of the asset and depreciated over the balance life of the asset.
  - (ii) In other cases, such differences are accumulated in the "Foreign Currency Monetary Translation Difference Account" and amortised over the balance period of the long term assets/liabilities but not beyond March 31, 2020.
- d) In case of forward foreign exchange contracts where an underlying asset or liability exists at the balance sheet date, the premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contract are recognized in the Statement of Profit and Loss in the reporting period in which the exchange rate change.
- e) Forward exchange contracts outstanding as at the year end on account of firm commitment / highly probable forecast transactions are marked to market and the losses, if any, are recognised in the Statement of Profit and Loss and gains are ignored in accordance with the Announcement of Institute of Chartered Accountants of India on 'Accounting for Derivatives' issued in March 2008.
- f) Any profit or loss arising on cancellation or renewal of a forward exchange contract are recognised as income or as expense for the period.
- g) The financial statements of an integral foreign operation are translated using the principles and procedures as if the transactions of the foreign operation are those of the Company itself.

## g. EMPLOYEE BENEFITS

### Defined Benefits:

#### Gratuity

The Company provides for gratuity, a defined benefit plan (the "Gratuity Plan") covering eligible employees in accordance with the Payment of Gratuity Act, 1972. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. Actuarial losses/gains are recognised in the Statement of Profit and Loss in the year in which they arise.

# Notes

to the Financial Statements

## **Provident Fund**

Provident Fund contributions are made to a multi-employer Trust administered by the Company. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of the year and any shortfall in the fund size maintained by the Trust set up by the Company is additionally provided for. Actuarial losses/gains are recognised in the Statement of Profit and Loss in the year in which they arise.

## **Other Benefits:**

### **Compensated Absences**

Accumulated compensated absences, which are expected to be availed or encashed within 12 months from the end of the year end are treated as short term employee benefits. The obligation towards the same is measured at the expected cost of accumulating compensated absences as the additional amount expected to be paid as a result of the unused entitlement as at the year end.

Accumulated compensated absences, which are expected to be availed or encashed beyond 12 months from the end of the year end are treated as other long term employee benefits. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. Actuarial losses/ gains are recognised in the Statement of Profit and Loss in the year in which they arise.

### **Defined Contribution:**

Contributions to the employees' state insurance fund, administered by the prescribed government authorities, are made in accordance with the Employees' State Insurance Act, 1948 and are recognised as an expense on an accrual basis.

Company's contribution towards Superannuation Fund is accounted for on accrual basis.

The Company makes defined contributions to a Superannuation Trust established for the purpose. The Company has no further obligation beyond the monthly contributions.

### **Long Term Employee Benefits:**

Employee benefits, which are expected to be availed or encashed beyond 12 months from the end of the year, are treated as other long term employee benefits. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year.

## **h. REVENUE RECOGNITION**

- (a) Sales, after adjusting trade discount, are inclusive of excise duty and the related revenue is recognised on transfer of all significant risks and rewards of ownership to the customer and when no significant uncertainty exists regarding realisation of the consideration.
- (b) Service income includes income from IT infrastructure managed services, break-fix services, cloud services, enterprise application services, software development & support services, office automation maintenance services, managed print services and telecom & consumer electronics support services. Revenues relating to time and materials contracts are recognized as the related services are rendered. Revenue in case of fixed priced contracts is recognised on percentage of completion basis. Revenue from a period based service contracts is recognised on a pro rata basis over the period in which such services are rendered.

## **i. LEASES**

- a) Assets taken under leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Such assets are capitalised at the inception of the lease at the lower of fair value or the present value of minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on outstanding liability for each period.
- b) Assets taken on leases where significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged to the Statement of Profit and Loss on straight-line basis over the lease term.
- c) Assets leased out under operating leases are capitalised. Rental income is recognised on accrual basis over the lease term.

## **j. CURRENT AND DEFERRED TAX**

Tax expense for the period, comprising current tax and deferred tax, are included in the determination of the net profit or loss for the period. Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the taxation laws prevailing in the respective jurisdictions.

# Notes to the Financial Statements

Deferred tax is recognised for all the timing differences, subject to the consideration of prudence in respect of deferred tax assets. Deferred tax assets are recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits. At each Balance Sheet date, the Company reassesses unrecognised deferred tax assets, if any.

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis. Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off assets against liabilities representing current tax and where the deferred tax assets and the deferred tax liabilities relate to taxes on income levied by the same governing taxation laws.

Minimum Alternative Tax (MAT) credit is recognised as an asset only when and to the extent there is reasonable certainty that the Company will pay normal income tax during the specified period. Such asset is reviewed at each Balance Sheet date and the carrying amount of the MAT credit asset is written down to the extent there is no longer a reasonable certainty to the effect that the Company will pay normal income tax during the specified period.

## **k. PROVISIONS AND CONTINGENT LIABILITIES**

The Company creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that probably will not require an outflow of resources or where a reliable estimate of the amount of the obligation cannot be made.

## **l. USE OF ESTIMATES**

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Examples of such estimates include estimate of cost expected to be incurred to complete performance under composite arrangements, income taxes, provision for warranty, employment benefit plans, provision for doubtful debts and estimated useful life of the fixed assets. The actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

## **m. EMPLOYEE STOCK OPTION SCHEME**

The Company calculates the employee stock compensation expense based on the intrinsic value method wherein the excess of market price of underlying equity shares as on the date of the grant of options over the exercise price of the options given to employees under the Employee Stock Option Scheme of the Company, is recognised as deferred stock compensation expense and is amortised over the vesting period on the basis of generally accepted accounting principles in accordance with the guidelines of Securities and Exchange Board of India.

## **n. BORROWING COSTS**

Borrowing costs to the extent related/attributable to the acquisition/construction of assets that necessarily take substantial period of time to get ready for their intended use are capitalised along with the respective fixed asset up to the date such asset is ready for use. Other borrowing costs are charged to the Statement of Profit and Loss.

## **o. SEGMENT REPORTING**

The accounting policies adopted for segment reporting are in conformity with the accounting policies consistently used in the preparation of financial statements. The basis of reporting is as follows:

- a) Revenue and expenses distinctly identifiable to a segment are recognised in that segment. Identified expenses include direct material, labour, overheads and depreciation on fixed assets. Expenses that are identifiable with/ allocable to segments have been considered for determining segment results.

Allocated expenses include support function costs which are allocated to the segments in proportion of the services rendered by them to each of the business segments. Depreciation on fixed assets is allocated to the segments on the basis of their proportionate usage.

- b) Unallocated expenses/income are enterprise expenses/income, which are not attributable or allocable to any of the business segment.

# Notes

to the Financial Statements

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- c) Assets and liabilities which arise as a result of operating activities of the segment are recognised in that segment. Fixed assets which are exclusively used by the segment or allocated on a reasonable basis are also included.
- d) Unallocated assets and liabilities are those which are not attributable or allocable to any of the segments and includes liquid assets like investments, bank deposits and investments in assets given on finance lease.
- e) Segment revenue resulting from transactions with other business segments is accounted on the basis of transaction price which is at par with the prevailing market price.

**p. IMPAIRMENT OF ASSETS**

At each balance sheet date, the Company assesses whether there is any indication that an asset (tangible and intangible) may be impaired. If any such indication exists, the Company estimates the recoverable amount and if the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in the Statement of Profit and Loss to the extent the carrying amount exceeds the recoverable amount.

**q. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash in hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less.

# Notes to the Financial Statements

	As at 31.03.2016 ₹ /Crores	As at 30.06.2015 ₹ /Crores
<b>2- Share capital</b>		
<u>Authorised</u>		
55,25,00,000 Equity Shares (2015 - 55,25,00,000) of ₹ 2/- each	<b>110.50</b>	110.50
5,00,000 Preference Shares (2015 - 5,00,000) of ₹ 100/- each	<b>5.00</b>	5.00
<b>TOTAL</b>	<b>115.50</b>	115.50
<u>Issued, Subscribed and Paid up</u>		
22,29,19,629 Equity Shares (2015 - 22,29,04,629) of ₹ 2/- each	<b>44.58</b>	44.58
(Fully Paid up) (Number of shares issued : 2016 - 15,000 (2015 - 25,000))		
<b>TOTAL</b>	<b>44.58</b>	44.58

Notes:

(i) Rights attached to Equity Shares:

The Company has only one class of equity share having a face value of ₹ 2/- each. Each holder of equity shares is entitled to one vote per share held. The Company declares and pays dividend in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the Shareholders in ensuing General Meeting, except in case of interim dividend.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive the remaining assets of the Company after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by Shareholders.

(ii) Shares reserved for issue under options:

For detail of shares reserved for issue under Employee Stock Option Plan of the Company, refer Note 41.

(iii) Shareholders holding more than 5% of the aggregate shares in the Company

Particulars	Number of Shares	% of shares	Number of Shares	% of shares
(a) HCL Corporation Private Limited	<b>11,13,82,239</b>	<b>49.97</b>	11,13,82,239	49.97
(b) AKM Systems Private Limited	<b>1,19,97,007</b>	<b>5.38</b>	1,19,97,007	5.38

## 3- Movement in Reserves and surplus

(₹ /Crores)

Particulars	Securities Premium Account	General Reserve	Surplus in the Statement of Profit and Loss	Total Reserves and Surplus
<b>As at July 1, 2014</b>	720.12	215.83	527.50	1,463.45
- Loss for the year	-	-	(70.89)	(70.89)
<b>As at June 30, 2015</b>	<b>720.12</b>	<b>215.83</b>	<b>456.61</b>	<b>1,392.56</b>
<b>As at July 1, 2015</b>	720.12	215.83	456.61	1,392.56
- Loss for the year	-	-	(210.27)	(210.27)
- On issue of Shares (refer Note -41)	0.04	-	-	0.04
<b>As at March 31, 2016</b>	<b>720.16</b>	<b>215.83</b>	<b>246.34</b>	<b>1,182.33</b>



# Notes

to the Financial Statements

	As at 31.03.2016 ₹ /Crores	As at 30.06.2015 ₹ /Crores
<b>4- Long-term borrowings</b>		
<b>Secured:</b>		
<b>Term Loans</b>		
- From Banks	38.75	79.99
	38.75	79.99
<b>Unsecured:</b>		
<b>Term Loans</b>		
- From Others	68.67	84.36
	68.67	84.36
<b>TOTAL</b>	<b>107.42</b>	<b>164.35</b>

## Notes:

- Secured Term Loan from Bank amounting to ₹ 50.00 Crores (2015 - NIL), out of which ₹ 11.25 Crores (2015 - NIL) is shown under current maturity of long term debt, is secured by way of (1) First pari passu charge on all immovable, movable and intangible assets of the HCL Infosystems Ltd and Identified subsidiaries (except few identified properties) (2) First pari passu charge on all receivables and rights under Contract in Progress, Bills Receivables and Unbilled Receivables from Identified contracts & Lease Rental receivables of HCL Infosystems Ltd and Identified Subsidiaries. The creation of security's charge is under process. The loan is repayable in 13 quarterly installments starting from September 2016 and carries interest @ 11.15 % p.a.
  - Secured Term Loan from Banks amounting to ₹ NIL (2015 - ₹ 143.48 Crores), out of which ₹ NIL (2015 - ₹ 143.48 Crores) is shown under current maturity of long term debt, was secured by way of subservient charge on current assets of the Company. It was carrying a lien on Mutual Funds of ₹ 99.86 Crores . The loan was repayable in 23 monthly equal instalments starting from July 2014 and carries interest @ 11.25 % p.a.
  - Secured Long Term Loan from Banks amounting to ₹ NIL (2015 - ₹ 5.73 Crores) out of which ₹ NIL (2015 - ₹ 5.73 Crores) is shown under current maturity of debt and Secured Short Term Loan amounting to ₹ 100.00 Crores (2015 - ₹ 75.00 Crores), is secured by way of subservient charge on current assets of the Company. It also carries a lien on Mutual Funds of ₹ 49.97 Crores (2015 - ₹ 49.97 Crores). Short Term Loan of ₹ 100.00 Crores is repayable in 1 year from the date of disbursement and carries interest @ 11.50 % p.a.
  - Secured Term Loan from Banks amounting to ₹ NIL (2015 - ₹ 99.91 Crores), out of which ₹ NIL (2015 - ₹ 19.92 Crores) is shown under current maturity of long term debt, was secured by way of Hypothecation over the receivable from a particular project.The loan was repayable in 1 half yearly and 14 quarterly equal instalments starting from the date of disbursement and carried interest @ 11.25 % p.a.
- Unsecured Term loans from Others amounting to ₹ Nil (2015 - ₹ 2.36), out of which ₹ Nil (2015 - ₹ 2.36 Crores) is shown under current maturity of long term debt, were repayable in 19 equal quarterly installments from the date of the loans which are interest free.
  - Unsecured Term loans from Others amounting to ₹ 154.85 Crores (2015 - ₹ 142.05 Crores), out of which ₹ 89.89 Crores (2015 - ₹ 73.32 Crores) is shown under current maturity of long term debt, is repayable in 11 to 12 equal quarterly instalments from the date of the disbursement which carries interest @ 11.74 % to 12.50 % p.a.
  - Unsecured Term loans from Others amounting to ₹ 19.34 Crores (2015 - ₹ 41.70 Crores), out of which ₹ 15.63 Crores (2015 - ₹ 26.07 Crores) is shown under current maturity of long term debt, is repayable in 2 quarterly, 2 half yearly and balance 16 quarterly instalments from the date of the disbursement which carries interest @ 13.00 % p.a.
- Long term borrowings, Short term borrowings and Current maturities of long term debts is net of the loan amounting to ₹ 23.09 Crores (2015 - ₹ 46.46 Crores), ₹ Nil (2015 - ₹ 26.13 Crores) and ₹ 29.51 Crores (2015 - ₹ 68.94 Crores) respectively which the Company (Transferor Company) had transferred to its subsidiaries (Transferee Companies) pursuant to the scheme of arrangement (Refer Note 50).However, the Transferor Company shall make repayments of such principal amounts and payments of interest or any other dues thereon on behalf of the respective Transferee Companies, and the respective Transferee Companies shall be under an obligation to place with the Transferor Company's funds at the relevant time so as to enable the Transferor Company to make payments to the lenders on or before their respective due dates.

# Notes

to the Financial Statements

	As at 31.03.2016 ₹ /Crores		As at 30.06.2015 ₹ /Crores	
<b>5- Other long-term liabilities</b>				
Trade Payables (Refer Note 31)		–		0.59
Deposits		5.32		5.32
<b>TOTAL</b>		5.32		5.91
<b>6- Long term provisions</b>				
Provision for Gratuity and other Employee Benefits (Refer Note 45) (includes ₹ 2.59 Crores (2015 - ₹ Nil) for Other Employee Benefits)		4.76		2.60
<b>TOTAL</b>		4.76		2.60
<b>7- Short-term borrowings</b>				
<b>Secured:</b>				
<b>Loans from Banks</b>				
- Term Loans		224.90		255.77
- Cash Credits		73.92		9.92
- Buyers Credit		–		10.29
		298.82		275.98
<b>Unsecured:</b>				
Commercial Paper		125.00		300.00
		125.00		300.00
<b>TOTAL</b>		423.82		575.98

## Note:

1. (i) Secured Loan from Banks amounting to ₹ 124.90 Crores (2015 - ₹ 139.90 Crores) is secured by way of (1) hypothecation of stock-in-trade, book debts as first charge of the Company and its demerged subsidiaries, pursuant to the scheme of arrangement and (2) by way of second charge on all the immovable and movable assets of the Company, along with non-fund based facilities from Banks. The charge ranks pari-passu amongst Bankers and carries interest @ 11.50 % p.a.
- (ii) Secured Loan from Banks amounting to ₹ 100.00 Crores (2015 - ₹ 75.00 Crores), is secured by way of subservient charge on current assets of the Company and carries interest @ 11.50 % p.a. Also refer Note 4 (iii).
- (iii) Secured Loan from Banks amounting to ₹ 73.92 Crores (2015 - ₹ 61.08) are secured by way of first charge over stock-in-trade and book debts of the company and its demerged subsidiaries and by way of second charge over movable and immovable fixed assets of the Company, pursuant to court approved scheme of arrangement. The charge ranks pari-passu amongst Bankers.

	As at 31.03.2016 ₹ /Crores		As at 30.06.2015 ₹ /Crores	
<b>8- Trade payables</b>				
(a) Total outstanding dues of micro enterprises and small enterprises (Refer Note 31) and		0.03		0.07
(b) Total outstanding dues of creditors other than micro enterprises and small enterprises [Includes Acceptance ₹ 101.90 Crores (2015 - ₹ 140.07 Crores)]		453.59		551.19
<b>TOTAL</b>		453.62		551.26

# Notes to the Financial Statements

	As at 31.03.2016 ₹ /Crores	As at 30.06.2015 ₹ /Crores
<b>9- Other current liabilities</b>		
Current Maturities of Long-Term Debts (Refer Note 4)	<b>116.77</b>	270.88
Interest Accrued but not due on Borrowings	<b>4.63</b>	3.00
Unpaid Dividends*	<b>1.81</b>	2.16
Deferred Revenue	<b>30.16</b>	28.10
Advances Received from Customers	<b>50.14</b>	27.18
Statutory Dues Payable	<b>7.02</b>	24.04
Employee Benefits Payable	<b>11.02</b>	16.82
Capital Creditors	<b>0.67</b>	0.37
<b>TOTAL</b>	<b>222.22</b>	372.55

\*There are no amount due and outstanding to be credited to Investor Education and Protection Fund under Section 205C of the Companies Act, 1956. These shall be credited and paid to the Fund as and when due.

	As at 31.03.2016 ₹ /Crores	As at 30.06.2015 ₹ /Crores
<b>10- Short-term provisions</b>		
Provision for Gratuity and Other Employee Benefits (Refer Note 45)#	<b>3.40</b>	2.69
Provision for Warranty (Refer Note 30)	–	0.27
Provision for Income Tax [Net of Advance Income Tax of ₹ Nil (2015 - ₹ 544.67 Crores)]	–	1.04
<b>TOTAL</b>	<b>3.40</b>	4.00

[# includes ₹ 1.20 Crores (2015- ₹ 1.25 Crores) for provision for leave encashment and ₹ 0.53 Crores (2015- ₹ Nil) for other employee benefits]

## 11- Fixed assets

Particulars	Gross Block				Depreciation / Amortisation				Net Block	
	As at 01.07.2015	Additions	Disposal/ Adjustment	As at 31.03.2016	As at 01.07.2015	Additions	Disposal/ Adjustment	As at 31.03.2016	As at 31.03.2016	As at 30.06.2015
<b>Tangible Assets:</b>										
Leasehold Land	19.10	–	5.24	<b>13.86</b>	1.82	0.14	0.31	<b>1.65</b>	<b>12.21</b>	17.28
Leasehold improvements	1.37	–	–	<b>1.37</b>	1.37	–	–	<b>1.37</b>	–	–
Freehold Land	7.65	–	–	<b>7.65</b>	–	–	–	–	<b>7.65</b>	7.65
Buildings	73.07	3.33	2.85	<b>73.55</b>	24.14	0.99	0.37	<b>24.76</b>	<b>48.79</b>	48.93
Plant and Machinery	16.52	2.17	0.09	<b>18.60</b>	15.36	0.58	0.08	<b>15.86</b>	<b>2.74</b>	1.16
Furniture and Fixtures	15.57	4.45	0.05	<b>19.97</b>	14.25	0.81	0.04	<b>15.02</b>	<b>4.95</b>	1.32
Office Equipments	6.33	0.66	0.30	<b>6.69</b>	4.78	0.55	0.19	<b>5.14</b>	<b>1.55</b>	1.55
Vehicles	3.11	0.88	–	<b>3.99</b>	1.56	0.34	–	<b>1.90</b>	<b>2.09</b>	1.55
Computers	12.42	0.90	0.42	<b>12.90</b>	11.16	0.64	0.40	<b>11.40</b>	<b>1.50</b>	1.26
<b>Sub-Total (a)</b>	<b>155.14</b>	<b>12.39</b>	<b>8.95</b>	<b>158.58</b>	<b>74.44</b>	<b>4.05</b>	<b>1.39</b>	<b>77.10</b>	<b>81.48</b>	<b>80.70</b>
Previous Year	160.97	2.14	7.97	155.14	71.88	6.78	4.22	74.44	80.70	
<b>Intangible Assets:</b>										
Software	2.65	–	–	<b>2.65</b>	2.54	0.07	–	<b>2.61</b>	<b>0.04</b>	0.11
<b>Sub-Total (b)</b>	<b>2.65</b>	–	–	<b>2.65</b>	<b>2.54</b>	<b>0.07</b>	–	<b>2.61</b>	<b>0.04</b>	<b>0.11</b>
Previous Year	2.65	–	–	2.65	2.45	0.09	–	2.54	0.11	
<b>Total (a+b)</b>									<b>81.52</b>	

Notes:

- Land and Building at Ambattur amounting to ₹ 3.28 Crores (2015 – ₹ 3.31 Crores) are pending registration in the name of the Company.
- Certain land and buildings are included above on revalued amount of ₹ 4.93 Crores (2015 – ₹ 8.01 Crores). Revaluation was done by external registered valuers after considering the depreciation upto that date on the governing principle of current replacement cost/value.

# Notes to the Financial Statements

## 12- Non-current investments

	As at 31.03.2016			As at 30.06.2015		
	Face Value	Units	Amount ₹ /Crores	Face Value	Units	Amount ₹ /Crores
<b>Unquoted (Trade): Long Term (At Cost)</b>						
<b>Investments in Equity Instruments of Subsidiaries</b>						
Digilife Distribution and Marketing Services Limited	₹ 10	4,80,50,000	48.05	₹ 10	4,80,50,000	48.05
Pimpri Chinchwad eServices Limited	₹ 10	42,500	0.04	₹ 10	42,500	0.04
HCL Computing Products Ltd	₹ 10	1,00,000	0.10	₹ 10	1,00,000	0.10
HCL Infotech Limited	₹ 10	2,20,300	668.46	₹ 10	50,000	418.46
HCL Learning Limited	₹ 10	75,274	166.46	₹ 10	50,000	106.46
HCL Services Limited	₹ 10	77,036	684.86	₹ 10	50,000	434.85
			1,567.97			1,007.96
Less: Diminution Other than Temporary in the value of Investment			596.46			365.00
<b>Total Investments in Equity Instruments of Subsidiaries (A)</b>			971.51			642.96
<b>Investments in Equity Instruments of Joint Venture</b>						
Nokia HCL Mobile Internet Services Limited	₹ 5000	490	0.25	₹ 5000	490	0.25
Less: Provision for Diminution in Value of investments			0.25			0.25
<b>Total Investments in Equity Instruments of Joint Venture (B)</b>			–			–
<b>Other Long Term Investment in Equity Instruments</b>						
LTH Milcom Private Limited	₹ 10	20,000	0.02	–	–	–
<b>Total Other Long Term Investment in Equity Instruments (C)</b>			0.02			–
<b>Total Non-Current Investments (Unquoted) (A)+(B)+(C)</b>			971.53			642.96

## 13- Current investments

	As at 31.03.2016			As at 30.06.2015		
	Face Value	Units	Amount ₹ /Crores	Face Value	Units	Amount ₹ /Crores
<b>(i) Unquoted (Others): Current (at lower of cost or fair value)</b>						
<b>Mutual Funds, Growth Options</b>						
Birla Sunlife Savings Fund	–	–	–	₹ 100	5,49,224	15.00
HDFC Floating Rate Income Fund - STP-WP	–	–	–	₹ 10	61,71,009	15.00
Kotak Floater Long Term	–	–	–	₹ 10	22,13,065	5.00
ICICI Prudential Flexible Income Plan	–	–	–	₹ 100	7,49,081	20.00
Reliance Money Manager Fund	–	–	–	₹ 1000	1,03,183	20.00
UTI Treasury Advantage Plan	–	–	–	₹ 1000	25,954	5.00
SBI-SHF Ultra Short Term Fund	–	–	–	₹ 1000	27,410	5.00
<b>Sub - Total (a)</b>			–			85.00
<b>Mutual Funds, Dividend Options</b>						
Birla Sunlife Savings Fund #	–	–	–	₹ 100	74,85,239	74.87
Kotak Floater Long Term #	–	–	–	₹ 10	2,48,00,849	25.00
Reliance Money Manager Fund #	₹ 1000	4,98,809	49.97	₹ 1000	4,98,809	49.97
<b>Sub - Total (b)</b>			49.97			149.84
<b>Total Current Investments (a) + (b)</b>			49.97			234.84
# Under lien with bank (Refer Note 4)						
Note : Net asset value of Current Investments in Mutual Funds as on March 31, 2016 is ₹ 50.04 Crores (2015 - ₹ 235.66 Crores).						
Aggregate amount of Unquoted Investments			1,021.50			877.80

# Notes to the Financial Statements

	As at 31.03.2016 ₹ /Crores		As at 30.06.2015 ₹ /Crores	
<b>14- Long-term loans and advances</b>				
<b>Unsecured, considered good:</b>				
Capital Advances		0.49		1.72
Deposits		91.93		30.61
Prepaid Expenses		1.07		0.29
Advance Income Tax [Net of Provision for Income Tax of ₹ 548.53 Crores (2015 - ₹ Nil)]		19.30		–
<b>Considered Doubtful</b>				
Deposits and Other Advances	0.50		0.50	
Less: Provision for Doubtful Loans and Advances	0.50	–	0.50	–
<b>TOTAL</b>		<b>112.79</b>		<b>32.62</b>
<b>15- Inventories</b>				
Raw Materials and Components [Including In-Transit ₹ 0.06 Crores (2015 - ₹ Nil)]		0.26		–
Finished Goods [Including In-Transit ₹ 0.17 Crores (2015 - ₹ 0.18 Crores)]		0.58		1.99
Stock-In-Trade [Including In-Transit ₹ 31.59 Crores (2015 - ₹ 13.54 Crores)]		94.13		123.95
Stores and Spares		0.79		0.86
<b>TOTAL</b>		<b>95.76</b>		<b>126.80</b>
<b>16- Trade receivables</b>				
<b>Unsecured:</b>				
Debts outstanding for a period exceeding six months from the date they are due for payment				
- Considered Good	56.00		129.21	
- Considered Doubtful	15.97		7.40	
	<b>71.97</b>		<b>136.61</b>	
Other Debts				
- Considered Good	256.99		273.17	
	<b>328.96</b>		<b>409.78</b>	
Less: Provision for Doubtful Debts	15.97	312.99	7.40	402.38
<b>TOTAL</b>		<b>312.99</b>		<b>402.38</b>



# Notes

to the Financial Statements

	As at 31.03.2016 ₹ /Crores		As at 30.06.2015 ₹ /Crores	
<b>17- Cash and bank balances</b>				
<b>Cash and Cash Equivalents</b>				
Balances with Banks				
- On Current Account	84.59		29.36	
Less: Money held in Trust	0.01	84.58	0.01	29.35
- On Dividend Account		1.81		2.19
Cash on Hand		0.01		0.02
Cheques on Hand		3.89		2.53
Bank Deposits with original maturity of three months or less	6.23		30.30	
Less: Money held in Trust	0.32	5.91	0.32	29.98
<b>Other Bank Balances</b>				
Bank Deposits with original maturity of more than twelve months		0.22		0.22
On Margin Account		3.13		3.14
<b>TOTAL</b>		99.55		67.43
<b>18- Short-term loans and advances</b>				
<b>Unsecured</b>				
<b>Considered Good</b>				
- Loans and Advances to Subsidiaries		647.26		1,425.82
- Balances with Customs, Port Trust, Excise and Sales Tax Authorities		17.50		26.78
- Advances to Creditors		12.94		23.21
Deposits with Tax Authorities		-		0.15
Other Deposits		2.81		3.87
MAT Credit Entitlement		34.24		32.61
Prepaid Expenses		5.40		9.42
Others (Includes Employee advances, Insurance claim recoverable and Expenses recoverable)		2.37		3.20
<b>Considered Doubtful</b>				
Deposits and Other Advances	7.04		4.09	
Less: Provision for Doubtful Loans and Advances	7.04	-	4.09	-
<b>TOTAL</b>		722.52		1,525.06
<b>19- Other current assets</b>				
Unamortised Premium on Forward Contracts		0.59		0.74
<b>TOTAL</b>		0.59		0.74

# Notes

to the Financial Statements

	Nine months ended 31.03.2016 ₹ /Crores	Year ended 30.06.2015 ₹ /Crores
<b>20- Revenue from operations</b>		
Sale of Products (Refer Note 34)	2,479.87	4,276.34
Sale of Services	19.40	35.51
<b>TOTAL</b>	<b>2,499.27</b>	<b>4,311.85</b>
<b>21- Other income</b>		
Interest Income		
- On Fixed Deposits (Gross)	1.30	3.65
- On Others [Includes Interest on Inter Company Deposits amounting to ₹ 88.51 Crores (2015 - ₹ 119.02 Crores)]	88.54	119.07
Dividend from Unquoted (Others) Current Investments	5.68	9.34
Profit on Disposal of Unquoted (Others) Current Investments	3.80	3.31
Provisions/Liabilities no longer required written back	6.08	1.04
Miscellaneous Income	8.29	8.47
<b>TOTAL</b>	<b>113.69</b>	<b>144.88</b>
<b>22- Changes in inventories of finished goods, work-in-progress and stock-in-trade</b>		
Closing Stock		
- Finished Goods (Including in Transit)	0.58	1.99
[Including excise duty of ₹ Nil (2015 - ₹ Nil)]		
- Stock-In-Trade	94.13	123.95
- Work-In-Progress	-	-
	<b>94.71</b>	<b>125.94</b>
Opening Stock		
- Finished Goods (Including in Transit)	1.99	6.64
[Including excise duty of ₹ Nil (2015 - ₹ 0.19 Crores)]		
- Stock-In-Trade	123.95	190.07
- Work-In-Progress	-	0.02
	<b>125.94</b>	<b>196.73</b>
<b>(Increase)/Decrease in Inventories of finished goods, work-in-progress and stock-in-trade</b>	<b>31.23</b>	<b>70.79</b>
<b>23- Other direct expense</b>		
Purchase of Services	16.63	34.06
Spares and Stores Consumed	5.41	21.04
Power and Fuel	-	0.34
Labour and Processing Charges	0.55	2.01
Royalty	-	0.24
<b>TOTAL</b>	<b>22.59</b>	<b>57.69</b>
<b>24- Employee benefits expense (Refer Note 45)</b>		
Salaries, Wages, Bonus and Gratuity	57.61	90.89
Contribution to Provident and Other Funds	2.13	2.98
Staff Welfare Expenses	0.55	0.61
<b>TOTAL</b>	<b>60.29</b>	<b>94.48</b>

# Notes to the Financial Statements

	Nine months ended 31.03.2016 ₹ /Crores	Year ended 30.06.2015 ₹ /Crores
<b>25- Finance costs</b>		
Interest on Long-term and Short-term Borrowings	77.13	91.85
Other Borrowing Costs	2.60	4.89
<b>TOTAL</b>	<b>79.73</b>	<b>96.74</b>
<b>26 - Other expenses</b>		
Rent (Refer Note 42(a)(ii))	7.46	7.38
Rates and Taxes	2.03	3.64
Printing and Stationery	0.53	0.61
Communication	1.21	1.71
Travelling and Conveyance	7.33	9.98
Packing, Freight and Forwarding	7.23	13.93
Legal, Professional and Consultancy Charges (Refer Note 40)	15.76	14.71
Retainership Expenses	4.23	3.58
Training and Conference	1.17	1.29
Office Electricity and Water	0.33	0.09
Insurance	3.26	4.31
Advertisement, Publicity and Entertainment	1.35	2.21
Hire Charges	0.41	0.36
Commission on Sales	3.04	0.21
Bank Charges	5.71	4.21
Provision for Doubtful Debts	8.27	5.43
Provision for Doubtful Loans and Advances and Other Current Assets	0.84	4.27
Loss on Sale of Fixed Assets	0.04	0.07
Fixed Assets Written-Off	0.06	–
Repairs		
- Plant and Machinery	–	0.04
- Buildings	0.01	0.03
- Others	0.85	1.08
Miscellaneous	15.08	19.47
	<b>86.20</b>	<b>98.61</b>
Less: Operating cost recovered from Subsidiaries	<b>13.29</b>	<b>10.29</b>
<b>TOTAL</b>	<b>72.91</b>	<b>88.32</b>

## 27. Exceptional items include :

Particulars	2016 ₹ /Crores	2015 ₹ /Crores
a. Net Profit on Sale of Properties	2.78	13.91
b. Inventory write off due to phasing out of a product line.	–	(4.60)
c. Provision for diminution in the value of investment in HCL Infotech Limited, HCL Learning Limited and Nokia HCL Mobile Internet Services Limited (Refer Note 12)	(231.46)	(155.25)
d. Profit on Sale of Investment in RMA Software Park Private Limited	–	6.60
<b>TOTAL</b>	<b>(228.68)</b>	<b>(139.34)</b>

# Notes to the Financial Statements

28. Estimated value of contracts on capital account, excluding capital advances, remaining to be executed and not provided for amount to ₹ Nil (2015 - ₹ 6.85 Crores). For Commitments on account of lease Refer Note 42.

## 29. a) Contingent Liabilities

Claims against the Company not acknowledged as debts:

	2016 ₹ /Crores	2015 ₹ /Crores
Sales Tax*	305.38	146.32
Excise*	96.68	96.72
Income Tax*	6.19	5.39
Industrial Disputes, Civil Suits and Consumer Disputes	8.11	2.70

\* Includes sum of ₹ 84.69 Crores (2015 - ₹ 20.83 Crores) deposited by the Company against the above.

The amounts shown in item (a) represents the best possible estimates arrived at on the basis of available information. The uncertainties and possible reimbursements are dependent on the out come of the different legal processes which have been initiated by the Company or the claimants as the case may be and therefore cannot be predicted accurately. It is not practicable for the Company to estimate the timing of cash outflows, if any, in respect of the above pending resolution of the respective proceedings.

## 29. b) Corporate Guarantees :

- Corporate Guarantee of ₹ 663.92 Crores (2015 - ₹ 624.52 Crores) was given to Banks and Financial Institutions for working capital facilities sanctioned to subsidiaries of which the total amount utilised as at March 31, 2016 is ₹ 183.55 Crores (2015 - ₹ 164.80 Crores).
- Corporate Guarantee of ₹ 40.76 Crores (2015 - ₹ 20.8 Crores) was given by the Company, on behalf of its subsidiaries, to third parties for assigning credit limit to subsidiaries.

## 29. c) Other Litigations :

- The Company has been named in a supplementary charge sheet filed with the Court with respect to a Contract awarded to the Company in 2009 by the UP state Government, amounting to ₹ 4.94 Crores, for the supply of computer hardware and related services under the National Rural Health Mission and therefore summons have been issued by the Court. The Company has challenged the jurisdiction and the matter is currently pending for adjudication before the Supreme Court. The management is of the view that the company has not been engaged in any wrong doing.
- The Company has certain sales tax and other related litigation amounting to ₹ 1.58 Crores (2015 - ₹ 1.65 Crores) against which provision have been made. Provision amounting to ₹ 0.07 Crores was utilised during the year.

## 30. The Company has the following provision for warranty in the books of accounts:

	2016 ₹ /Crores	2015 ₹ /Crores
Opening Balance as on July 1	0.27	–
Additions during the year	–	0.66
Utilised/Reversed during the year	0.27	0.39
Closing Balance as on March 31 / June 30	–	0.27

The warranty provision has been recognised for expected warranty claims for the first year of warranty on products sold during the year. Due to the very nature of such costs, Outflows of economic benefits against this provision is expected to happen within one year.

# Notes

to the Financial Statements

## 31. Disclosure of Micro, Small and Medium Enterprises based on information available with the Company:

	2016 ₹ /Crores	2015 ₹ /Crores
a. (i) Principal amount remaining unpaid to any supplier as at the end of the year.	<b>0.02</b>	0.01
(ii) Interest due on the above amount.	<b>0.01</b>	0.01
b. (i) Amount of interest paid in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 (Act).	–	–
(ii) Amount of principal payments made to the suppliers beyond the appointed day during the year.	–	1.14
c. Amount of interest due and payable for the period of delay in making payment but without adding the interest specified under the Act.	–	–
d. Amount of interest accrued and remaining unpaid at the end of the year.	<b>0.01</b>	0.06
e. Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises.	–	–

32. As per provisions of Section 135 of the Companies Act, 2013, the Company has to provide at least 2% of average net profits of the preceeding three financial years towards Corporate Social Responsibility ("CSR"). Accordingly, a CSR Committee has been formed for carrying out CSR activities as per Schedule VII of the Companies Act, 2013. The Company was not required to spend/contribute to CSR Activity during the year as per Section 135 of the Companies Act, 2013 as average net profit for the last three financial year is negative.

## 33. Information in respect of purchase of traded goods:

	Value ₹ /Crores
Computers/Servers	<b>305.76</b> (247.88)
Photocopiers/Electronic Equipments	<b>50.18</b> (52.76)
Printers/Scanners/UPS/CVT	<b>26.90</b> (41.74)
Cellular Phones	<b>1,752.70</b> (3462.59)
Others*	<b>186.39</b> (148.32)
<b>TOTAL</b>	<b>2,321.93</b> (3953.29)

\* Does not include any class of goods which in value individually accounts for 10% or more of the total value of purchase of traded goods.

Note: Previous year's figures are given in brackets.



# Notes to the Financial Statements

## 34. Stocks and Sales:

Class of Products	Sales/Adjustments Value ₹ /Crores	Opening Stock Value ₹ /Crores	Closing Stock Value ₹ /Crores
Computers/Micro processor based systems	<b>350.97</b> (277.21)	<b>14.80</b> (22.23)	<b>16.54</b> (14.80)
Photocopiers/Electronic Equipments	<b>49.72</b> (72.11)	<b>12.42</b> (20.77)	<b>11.85</b> (12.42)
Printers/Scanners/UPS/CVT	<b>29.34</b> (47.80)	<b>4.68</b> (1.86)	<b>4.30</b> (4.68)
Cellular Phones	<b>1,842.19</b> (3799.84)	<b>75.65</b> (128.23)	<b>30.17</b> (75.65)
Others*	<b>207.65</b> (79.38)	<b>18.39</b> (23.64)	<b>31.85</b> (18.39)
<b>TOTAL</b>	<b>2,479.87</b> (4276.34)	<b>125.94</b> (196.73)	<b>94.71</b> (125.94)

\* Does not include any class of goods which in value individually accounts for 10% or more of the total value of sales/ stock.

Note: Previous year's figures are given in brackets.

## 35. Value of imported and indigenous raw materials and components consumed during the year (excluding value of consumption of stores and spares which is not readily ascertainable) classified on the basis of ratio between purchase of imported and indigenous raw materials and components during the year:

	2016		2015	
	₹ /Crores	% of Consumption	₹ /Crores	% of Consumption
Imported	–	0%	4.34	33%
Indigenous	<b>0.08</b>	<b>100%</b>	8.92	67%
<b>TOTAL</b>	<b>0.08</b>	<b>100%</b>	13.26	100%

## 36. Details of raw materials and components consumed (in value):

	2016 ₹ /Crores	2015 ₹ /Crores
Mother Boards and Assemblies	<b>0.08</b>	1.64
Hard Disk Drives	–	2.37
Processors	–	2.07
Monitors	–	0.44
CRT Key Tops PCBs and Cabinets	–	1.43
Others*	–	5.31
<b>TOTAL</b>	<b>0.08</b>	13.26

\* Does not include any class of goods which in value individually accounts for 10% or more of the total value of raw materials consumed.

# Notes

to the Financial Statements

## 37. Value of Imports calculated on CIF basis:

	2016 ₹ /Crores	2015 ₹ /Crores
a) Raw materials and components	–	1.47
b) Stores and spares	0.09	1.06
c) Traded items	95.67	83.25
<b>TOTAL</b>	<b>95.76</b>	<b>85.78</b>

## 38. Expenditure in Foreign Currency:

(On accrual basis)

	2016 ₹ /Crores	2015 ₹ /Crores
a) Travel	0.37	0.10
b) Interest on Acceptances	0.15	0.09
c) Purchase of Software/Technical Fee	8.33	1.24
d) Others (includes consultancy, certification charges, license)	0.27	0.14
<b>TOTAL</b>	<b>9.12</b>	<b>1.57</b>

## 39. Earnings in Foreign Currency:

	2016 ₹ /Crores	2015 ₹ /Crores
a) FOB value of exports (including deemed exports)	0.87	2.76
b) Others (including reimbursement of expenses)	0.01	0.27
<b>TOTAL</b>	<b>0.88</b>	<b>3.03</b>

## 40. Remuneration to Auditor\*:

	2016 ₹ /Crores	2015 ₹ /Crores
a) Statutory Audit	1.36	1.26
b) Other Audit Services/Certifications	0.60	0.17
c) Out-of-Pocket Expenses	0.08	0.04
<b>TOTAL</b>	<b>2.04</b>	<b>1.47</b>

\* Excluding service tax.

## 41. Employee Stock Option Plan (ESOP):

The Company has established Employee Stock Option Scheme 2000 and Employee Stock Based Compensation Plan 2005, for which a total grant of 31,90,200 and 33,35,487 options have been set aside respectively for the employees of the Company and its subsidiaries. These options vest on a graded basis over a period of 42 and 60 months respectively from the date of grant and are to be exercised within a maximum period of 5 years from the date of vesting.

The Board of Directors/Committee approves the grant of options, including the grant of options that lapse out of each grant.

Each option of ₹ 10/- confers on the employee a right to five equity shares of ₹ 2/- each.

Exercise price is market price as specified in the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 1999 issued by the Securities and Exchange Board of India ("SEBI").

# Notes

to the Financial Statements

**Details of Grants made under Employee Stock Option Scheme 2000**

Date of Grant	Exercise price of the option for five equity shares of ₹ 2/- each	Options outstanding at the beginning of the year	Options granted during the year	Options forfeited during the year	Options exercised during the year	Options expired during the year	Options outstanding at the end of the year	Options exercisable at the end of the year
15-Mar-07	648.75	49,200	–	–	–	49,200	–	–
		(52,800)	(–)	(–)	(–)	(3,600)	(49,200)	(49,200)
23-Jan-08	898.25	7,598	–	–	–	3,427	4,171	4,171
		(17,232)	(–)	(–)	(–)	(9,634)	(7,598)	(7,598)
18-Aug-09	627.25	–	–	–	–	–	–	–
		(20,000)	(–)	(–)	(–)	(20,000)	(–)	(–)
26-Oct-10	586.75	–	–	–	–	–	–	–
		(60,000)	(–)	(–)	(–)	(60,000)	(–)	(–)
30-Jan-12	233.25	6,000	–	–	–	6,000	–	–
		(6,000)	(–)	(–)	(–)	(–)	(6,000)	(3,600)
09-Sep-13	132.00	7,000	–	–	3,000	–	4,000	–
		(10,000)	(–)	(–)	(3,000)	(–)	(7,000)	(–)
18-Sep-14	380.00	15,000	–	12,000	–	3,000	–	–
		(–)	(15,000)	(–)	(–)	(–)	(15,000)	(–)
21-Nov-14	363.75	10,000	–	–	–	–	10,000	3,000
		(–)	(10,000)	(–)	(–)	(–)	(10,000)	(–)
<b>Total</b>		<b>94,798</b>	<b>–</b>	<b>12,000</b>	<b>3,000</b>	<b>61,627</b>	<b>18,171</b>	<b>7,171</b>
		(166,032)	(25,000)	–	(3,000)	(93,234)	(94,798)	(60,398)

Note: Previous year's figures are given in brackets.

**Details of Grants made under Employee Stock Based Compensation Plan 2005**

Date of Grant	Exercise price of the option for five equity shares of ₹ 2/- each	Options outstanding at the beginning of the year	Options granted during the year	Options forfeited during the year	Options exercised during the year	Options expired during the year	Options outstanding at the end of the year	Options exercisable at the end of the year
13-Aug-05	1144.00	1,88,698	–	–	–	1,88,698	–	–
		(4,48,776)	(–)	(–)	(–)	(2,60,078)	(1,88,698)	(1,88,698)
19-Oct-05	1157.50	3,198	–	–	–	3,198	–	–
		(7,336)	(–)	(–)	(–)	(4,138)	(3,198)	(3,198)
15-Nov-05	1267.75	1,070	–	–	–	1,070	–	–
		(2,580)	(–)	(–)	(–)	(1,510)	(1,070)	(1,070)
15-Dec-05	1348.25	470	–	–	–	470	–	–
		(1,540)	(–)	(–)	(–)	(1,070)	(470)	(470)
14-Jan-06	1300.00	340	–	–	–	340	–	–
		(680)	(–)	(–)	(–)	(340)	(340)	(340)
15-Feb-06	1308.00	280	–	–	–	280	–	–
		(560)	(–)	(–)	(–)	(280)	(280)	(280)
16-Mar-06	1031.00	690	–	–	–	690	–	–
		(1,680)	(–)	(–)	(–)	(990)	(690)	(690)
17-Apr-06	868.75	160	–	–	–	–	160	160
		(320)	(–)	(–)	(–)	(160)	(160)	(160)
15-May-06	842.50	810	–	–	–	–	810	810
		(2,020)	(–)	(–)	(–)	(1,210)	(810)	(810)

# Notes

to the Financial Statements

Date of Grant	Exercise price of the option for five equity shares of ₹ 2/- each	Options outstanding at the beginning of the year	Options granted during the year	Options forfeited during the year	Options exercised during the year	Options expired during the year	Options outstanding at the end of the year	Options exercisable at the end of the year
15-Jun-06	620.50	860	–	–	–	320	540	540
		(1,720)	(–)	(–)	(–)	(860)	(860)	(860)
17-Jul-06	673.75	620	–	–	–	310	310	310
		(2,250)	(–)	(–)	(–)	(1,630)	(620)	(620)
15-Mar-07	648.75	78,840	–	–	–	43,660	35,180	35,180
		(1,42,440)	(–)	(–)	(–)	(63,600)	(78,840)	(78,840)
23-Jan-08	898.25	18,585	–	–	–	8,625	9,960	9,960
		(42,720)	(–)	(–)	(–)	(24,135)	(18,585)	(18,585)
16-Aug-11	375.00	–	–	–	–	–	–	–
		(18,000)	(–)	(4,000)	(–)	(14,000)	–	–
17-Aug-11	375.00	7,000	–	–	–	–	7,000	5,600
		(7,000)	(–)	(–)	(–)	(–)	(7,000)	(4,200)
30-Jan-13	186.00	20,000	–	–	–	–	20,000	12,000
		(20,000)	(–)	(–)	(–)	(–)	(20,000)	(8,000)
10-May-13	187.00	–	–	–	–	–	–	–
		(10,000)	(–)	(8,000)	(2,000)	(–)	(–)	(–)
<b>Total</b>		<b>3,21,621</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,47,661</b>	<b>73,960</b>	<b>64,560</b>
		(7,09,622)	(–)	(12,000)	(2,000)	(3,74,001)	(3,21,621)	(3,06,821)

Note: Previous year's figures are given in brackets.

## Assumptions

The fair value of each stock option granted under Employee Stock Option Scheme 2000 and Employee Stock Based Compensation Plan 2005 as on the date of grant has been computed using Black-Scholes Option Pricing Formula and the model inputs are given as under:

	Employee Stock Option Scheme 2000	Employee Stock Based Compensation Plan 2005
Volatility	31% to 68%	31% to 65%
Risk free rate	7.06% to 7.69%	7.06% to 7.77%
Exercise Price	132.00 to 1,271.25	178.00 to 1,348.25
Time to Maturity (years)	2.20 to 5.50	2.50 to 7.00
Dividend Yield	0% to 32%	0% to 37%
Life of options	8.5 Years	10 Years
Fair Value of options as at the grant date	₹ 1.69 to ₹ 196.18	₹ 0.00 to ₹ 268.16

Notes:

1. Volatility: Based on historical volatility in the share price movement of the Company.
2. Risk Free Rate: Being the interest rate applicable for maturity equal to the expected life of options based on yield curve for Government Securities.
3. Time to Maturity: Vesting period and volatility of the underlying equity shares have been considered for estimation.
4. Dividend Yield: Based on historical dividend payouts.

# Notes to the Financial Statements

The impact on the profit/(loss) of the Company for the year ended March 31, 2016 and the basic and diluted earnings per share had the Company followed the fair value method of accounting for stock options is set out below:

## Proforma Disclosures

	2016 ₹ /Crores	2015 ₹ /Crores
Loss after tax as per Statement of Profit and Loss (a)	(210.27)	(70.89)
Add: Employee Stock Compensation Expense as per Intrinsic Value Method	–	–
Less: Employee Stock Compensation Expense as per Fair Value Method	0.09	0.12
Loss after tax recomputed for recognition of employee stock compensation expense under fair value method (b)*	(210.36)	(71.01)
Loss Per Share based on earnings as per (a) above: (Refer Note 43)		
- Basic	(₹ 9.43)	(₹ 3.18)
- Diluted	(₹ 9.43)	(₹ 3.18)
Loss Per Share had fair value method been employed for accounting of employee stock options:		
- Basic	(₹ 9.44)	(₹ 3.19)
- Diluted	(₹ 9.44)	(₹ 3.19)

\* Excludes impact on tax expense of employee stock compensation expense.

## 42. Leases:

### a) Cancelable Operating Leases

#### As Lessee:

- The Company has taken various residential/commercial premises under cancelable operating leases. These leases are for a period of eleven months to three years and are normally renewable on expiry.
- The rental expense in respect of operating leases is ₹ 7.46 Crores (2015 - ₹ 7.38 Crores) which is disclosed as Rent expense under 'Other expenses'.

#### As Lessor:

The gross block, accumulated depreciation and depreciation expense in respect of the assets given on operating lease are as below:

	₹ /Crores			
Particulars	Gross Block	Accumulated Depreciation	Net Block	Depreciation Expense
Freehold Land	1.87	–	1.87	–
	(1.01)	(–)	(1.01)	(–)
Building	16.98	3.68	13.30	0.19
	(4.57)	(2.27)	(2.30)	(0.04)
Plant and Machinery	2.06	0.18	1.88	0.18
	(–)	(–)	(–)	(–)
Furniture and Fixtures & Office Equipments	5.09	0.65	4.44	0.62
	(–)	(–)	(–)	(–)
Computers	0.22	0.08	0.14	0.04
	(–)	(–)	(–)	(–)
<b>TOTAL</b>	<b>26.22</b>	<b>4.59</b>	<b>21.63</b>	<b>1.03</b>
	(5.58)	(2.27)	(3.31)	(0.04)

Note: Previous year's figures are given in brackets.

# Notes to the Financial Statements

## 43. Earnings / (Loss) per share (EPS)

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The earnings considered in ascertaining the company's EPS represent profit/(loss) for the period after tax. Diluted EPS is computed and disclosed using the weighted average number of equity and dilutive equivalent shares outstanding during the year except when results would be anti-dilutive.

Calculation of EPS:

Particulars	For the Nine Months ended 31 March, 2016	For the Year ended 30 June, 2015
Loss after tax (₹ /Crores)	(210.27)	(70.89)
<b>Weighted average number of shares considered as outstanding in computation of Basic EPS</b>	<b>22,29,13,520</b>	22,28,93,163
<b>Weighted average number of shares outstanding in computation of Diluted EPS</b>	<b>22,29,13,520</b>	22,28,93,163
Basic EPS (of ₹ 2/- each)	(₹ 9.43)	(₹ 3.18)
Diluted EPS (of ₹ 2/- each)	(₹ 9.43)	(₹ 3.18)

## 44. Segment Reporting

The Company recognises the following segments as its primary Segments :

- (i) Hardware Products & Solution business comprise of sale of IT products & solutions to enterprise and government customers
- (ii) Distribution segment comprises of distribution of :
  - (a) Consumer Products including telecommunication, digital lifestyle products and consumer electronic & home appliances
  - (b) Enterprise products including IT products, Enterprise software and Office Automation products.

Details of secondary segments are not disclosed as more than 90% of the Company's revenues, results and assets relate to the domestic market.

### Segment wise performance for the year ended March 31, 2016

₹ /Crores

Primary Segments	Hardware Products & Solutions	Distribution	Inter-segment Elimination	Total
<b>(i) Revenue</b>				
External Revenue	21.98	2,477.29		2499.27
	(88.07)	(4223.78)		(4311.85)
Inter-segment Revenue		-	-	-
		(0.01)	(-0.01)	-
Total Gross Revenue	21.98	2,477.29	-	2499.27
	(88.07)	(4223.79)	(-0.01)	(4311.85)
Less: Excise Duty	0.01		-	0.01
	(-)			(-)
Total Net Revenue	21.97	2,477.29	-	2499.26
	(88.07)	(4223.79)	(-0.01)	(4311.85)



# Notes

to the Financial Statements

**Segment wise performance for the year ended March 31, 2016**

₹ /Crores

Primary Segments	Hardware Products & Solutions	Distribution	Inter- segment Elimination	Total
<b>(ii) Results</b>	<b>-6.50</b>	<b>23.17</b>		<b>16.67</b>
	(-27.80)	(88.62)		(60.82)
Less: Unallocable Expenditure				<b>24.95</b>
				(34.79)
Operating Profit				<b>(8.28)</b>
				(26.03)
Add: Other Income (Excluding Operational Income)				<b>107.61</b>
				(143.84)
Less: Finance Charges				<b>79.73</b>
				(96.74)
<b>Profit/(Loss) before exceptional and extraordinary items and tax</b>				<b>19.60</b>
				(73.13)
Exceptional items				<b>228.68</b>
				(139.34)
<b>Profit/(Loss) before tax</b>				<b>(209.08)</b>
				(-66.21)
Less: Tax Expense				<b>1.19</b>
				(4.68)
<b>Profit After Tax</b>				<b>(210.27)</b>
				(-70.89)
<b>(iii) Segment Assets</b>	<b>126.71</b>	<b>430.86</b>		<b>557.57</b>
	(228.74)	(409.30)		(638.04)
Unallocated Corporate Assets				
a) Liquid Assets				<b>49.98</b>
				(265.04)
b) Others				<b>1839.92</b>
				(2194.79)
<b>Total Assets</b>				<b>2447.47</b>
				(3097.87)
<b>(iv) Segment Liabilities</b>	<b>81.42</b>	<b>426.16</b>		<b>507.58</b>
	(193.92)	(390.93)		(584.85)
Unallocated Corporate Liabilities				<b>64.96</b>
				(64.67)
<b>Total Liabilities</b>				<b>572.55</b>
				(649.52)

# Notes

to the Financial Statements

## Segment wise performance for the year ended March 31, 2016

₹ /Crores

Primary Segments	Hardware Products & Solutions	Distribution	Inter-segment Elimination	Total
(v) Capital Expenditure (allocable)		0.93		0.93
		(1.35)		(1.35)
Capital Expenditure (unallocable)				11.46
				(0.79)
(vi) Depreciation (allocable)	0.72	0.57		1.29
	(1.96)	(0.71)		(2.67)
Depreciation (unallocable)				2.83
				(4.20)
(vii) Other Non Cash Expenses (allocable)	2.91	4.90		7.81
	(5.53)	(1.95)		(7.48)
Other Non Cash Expenses (unallocable)				1.40
				(2.64)

**Note:** Previous year's figures are given in brackets.

Segment Results Include ₹ 6.08 crores (2015 - ₹ 1.04 crores) of certain operating other income which is included in 'Other income' in statement of profit and loss

45. The Company has calculated the various benefits provided to employees as under:

### (a) Defined Contribution

During the year, the Company has recognised the following amounts in the Statement of Profit and Loss:

	2016 ₹ /Crores	2015 ₹ /Crores
(i) Employers Contribution to Superannuation Fund*	0.25	0.54
(ii) Employers Contribution to National Pension Scheme*	0.06	—
(iii) Employers contribution to Employee State Insurance*	0.01	0.03
(iv) Employers contribution to Employee's Pension Scheme 1995*	0.79	1.05

\* Included in Contribution to Provident and Other Funds under Employee benefits expense (Refer Note 24).

### (b) Defined Benefit

- (i) Gratuity
- (ii) Provident Fund#

The Company contributes to the employee provident fund trust "Hindustan Computers Limited Employees Provident Fund Trust" which is managed by the Company. The Company's Provident Fund Trust is exempted under Section 17 of Employees' Provident Fund Act, 1952. Conditions for grant of exemptions stipulate that the employer shall make good deficiency, if any, in the interest rate declared by the trust vis-à-vis statutory rate. As per guidance note on AS - 15, Employee Benefits (Revised 2005), provident funds set up by employers, which requires interest shortfall to be met by the employer, needs to be treated as defined benefit plan.

The Trust includes employees of the Company as well as of its Indian wholly owned subsidiaries and of HCL Corporation Private Limited, a related party. In view of the same, it is a multi employer defined benefit plan

The Trust has been investing the Provident fund contributions of the employees of all the six companies in a composite manner and the same cannot be separately identified entity wise.

In view of the same an actuarial valuation, in accordance with the AS-15 (Revised), was carried out at composite level. As per actuarial certificate there is no shortfall in the earning of fund against statutorily required "interest rate guarantee" and accordingly, the "liability on account of interest rate guarantee" is nil.

# Notes to the Financial Statements

In accordance with Accounting Standard 15 (revised 2005), an actuarial valuation was carried out in the respect of the aforesaid defined benefit plan based on the following assumptions:

	Gratuity		Provident Fund	
	2016	2015	2016	2015
Discount rate (per annum)	7.44%	8.00%	Not Applicable	Not Applicable
Rate of increase in compensation levels	6.00%	6.00%	Not Applicable	Not Applicable
Rate of return on plan assets	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Expected statutory interest rate	Not Applicable	Not Applicable	8.80%	8.75%
Expected short fall in interest earnings	Not Applicable	Not Applicable	0.05%	0.05%
Expected average remaining working lives of employees (years)	19.20	19.74	19.20	19.74

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

₹ /Crores

	2016		2015	
	Gratuity	Provident Fund	Gratuity	Provident Fund
<b>Reconciliation of opening and closing balances of the present value of the defined benefit obligation:</b>				
Present value of obligation at the beginning of the year	4.04	167.44	3.88	169.36
Current service cost	0.35	6.80	0.20	7.11
Interest cost	0.24	13.40	0.29	13.55
Actuarial (gain)/loss	(0.04)	(1.46)	1.29	(9.11)
Benefits (paid)	(0.75)	(31.78)	(1.62)	(36.07)
Settlements/transfer In	–	9.34	–	5.23
Contribution by plan participants	–	18.48	–	17.37
Present value of obligation at the end of the year	3.84	182.22	4.04	167.44

₹ /Crores

	2016	2015
	Provident Fund	Provident Fund
<b>Reconciliation of fair value of plan assets:</b>		
Fair value of plan assets at the beginning of the year	177.69	169.62
Expected Return on Plan Assets	15.64	14.84
Employer Contribution	6.80	7.11
Settlements/Transfer In	9.34	5.23
Employee Contribution	18.48	17.37
Benefit Paid	(31.78)	(36.07)
Actuarial gain/(loss) on Plan Assets	(0.55)	(0.41)
Fair value of plan assets at the end of the year	195.62	177.69

# Notes to the Financial Statements

₹ /Crores

Cost recognised for the year :	2016		2015	
	Gratuity	Provident Fund	Gratuity	Provident Fund
Current service cost	0.35	–	0.20	–
Company contribution to Provident Fund	–	6.80	–	7.11
Past service cost	–	–	–	–
Interest cost	0.24	–	0.29	–
Actuarial (gain)/loss	(0.04)	–	1.29	–
Interest guarantee liability	–	–	–	–
Shortfall in fund	–	–	–	–
Net cost recognised for the year*	0.55	6.80 @	1.78	7.11 @

\* Included in Salaries, Wages, Bonus and Gratuity for Gratuity and Contribution to Provident and Other Funds for Provident Fund under Employee benefits expense (Refer Note 24).

@ The Company's contribution to Provident Fund for the year is ₹ 1.02 Crores (2015 - ₹ 1.36 Crores) and the remaining relates to other related companies as mentioned above.

# In the absence of the relevant information from the Actuary, the above details do not include the composition of Plan assets.

## Reconciliation of the present value of the defined benefit obligation and the fair value of the plan assets:

₹ /Crores

	Gratuity				
	2016	2015	2014	2013	2012
Present value of the obligation as at the end of the year	3.84	4.04	3.88	19.41	20.10
Fair value of plan assets at the end of the year	–	–	–	–	–
Assets/(Liabilities) recognised in the Balance Sheet	(3.84)	(4.04)	(3.88)	(19.41)	(20.10)
Experience adjustment in plan liabilities	0.14	(1.18)	0.27	0.16	0.03
Experience adjustment in plan assets	–	–	–	–	–
	Provident Fund				
	2016	2015	2014	2013	2012
Present value of the obligation as at the end of the year	(182.22)	(167.44)	(169.36)	(152.84)	(140.59)
Fair value of plan assets at the end of the year	195.62	177.69	169.62	152.85	141.86
Assets/(Liabilities) recognised in the Balance Sheet	–**	–**	–**	–**	–**
	2016	2015			
Expected Contribution to the Provident fund in the next year	7.34	7.82			

\*\* As there is surplus, the same has not been recognised in Balance Sheet.

46. The Company remits the dividends to its non resident shareholders in Indian Rupees.

# Notes

to the Financial Statements

**47. Disclosure of related parties and related party transactions:****a) Company having substantial interest:**

HCL Corporation Private Limited

**b) List of parties where control exists/existed:****Subsidiaries:**

HCL Infotech Limited

HCL Learning Limited

HCL Services Limited

Digilife Distribution and Marketing Services Limited

HCL Computing Products Limited

Pimpri Chinchwad eServices Limited (85% Shareholding of HCL Infosystems Limited)

RMA Software Park Private Limited (up to September 24, 2014)

HCL Insys Pte. Limited, Singapore

HCL Investments Pte. Limited, Singapore

HCL Touch Inc., USA

HCL Infosystems MEA FZE, Dubai

HCL Infosystems LLC, Dubai (49% Shareholding of HCL Infosystems MEA FZE)

HCL Infosystems MEA LLC, Abu Dhabi (49% Shareholding of HCL Infosystems MEA FZE)

HCL Infosystems Qatar, WLL (49% Shareholding of HCL Infosystems MEA FZE)

HCL Infosystems South Africa Pty. Limited

**Joint Venture :**

Nokia HCL Mobile Internet Services Limited

**c) Others (Enterprises over which, individual having indirect significant influence over the company, has significant influence) and with whom transactions have taken place during the year and/or where balances exist:**

HCL Technologies Limited

HCL Comnet Limited

HCL Comnet Systems and Services Limited

HCL Avitas Private Limited

HCL Talent Care Private Limited

HCL IT City Lucknow Private Limited

SSN Trust

RMA Software Park Private Limited (with effect from September 25, 2014)

Vama Sundari Investments (Pondi) Private Limited

Shiv Nadar Foundation

**d) Key Management Personnel:**

Mr. Premkumar Seshadri\* (Executive Vice Chairman & Managing Director)

Mr. SG Murali (Group CFO with effect from April 1, 2015)

Mr Sushil Jain (Company Secretary)

Mr. Harshavardhan Madhav Chitale (Resigned as director with effect from December 31, 2014.)

Mr. Sandeep Kanwar (Resigned as CFO with effect from March 31, 2015)

\*Remuneration has been paid by HCL Corporation Private Limited

Note: Parties with whom transactions are more than 10% of the total value have been disclosed separately.

# Notes to the Financial Statements

## e) Summary of Related Party disclosures

(₹ /Crores)

A. Transactions	Company having substantial interest		Subsidiaries		Others		Key Management Personnel		Total	
	Mar-16	Jun-15	Mar-16	Jun-15	Mar-16	Jun-15	Mar-16	Jun-15	Mar-16	Jun-15
<b>Sales and Related Income</b>	-	0.04	<b>95.48</b>	94.97	<b>5.66</b>	8.57			<b>101.14</b>	103.58
- HCL Corporation Limited	-	0.04								
- HCL Infotech Limited #			3.03	23.46						
- HCL Services Limited			34.40	48.11						
- Digilife Distribution and Marketing Services Limited			57.87	23.40						
- HCL Technologies Limited					4.48	8.09				
- Shiv Nadar Foundation					0.95	0.28				
<b>Sale of Services</b>			<b>0.12</b>	-					<b>0.12</b>	-
- HCL Infotech Limited #			0.09	-						
- HCL Services Limited			0.02	-						
<b>Purchase of Goods</b>			<b>0.41</b>	24.45	-	9.06			<b>0.41</b>	33.51
- Digilife Distribution and Marketing Services Limited			0.17	3.75						
- HCL Infotech Limited #			0.20	5.23						
- HCL Services Limited			0.04	11.06						
- HCL Learning Limited			-	3.49						
- HCL Comnet Limited					-	9.06				
<b>Purchase of Services</b>			<b>24.94</b>	34.26	-	6.85			<b>24.94</b>	41.11
- HCL Services Limited			17.59	32.01						
- HCL Infotech Limited #			7.34	1.20						
- HCL Technologies Limited					-	6.85				
<b>Sale of Investment</b>					-	40.74			-	40.74
- Vama Sundari Investments (Pond) Private Limited					-	40.74				
<b>Business Consideration Receivable Converted to Equity</b>			<b>121.00</b>	-					<b>121.00</b>	-
- HCL Services Limited			61.00							
- HCL Learning Limited			60.00							
<b>Business Consideration Receivable Converted to Inter Company Deposit</b>			<b>44.85</b>	-					<b>44.85</b>	-
- HCL Learning Limited			44.85							
<b>Inter Company Deposit Payable Converted to Equity</b>			<b>439.00</b>	-					<b>439.00</b>	-
- HCL Infotech Limited			250.00							
- HCL Services Limited			189.00							
<b>Loans and Advances Refunded/Adjusted (Net)</b>			<b>302.24</b>	22.87	-	37.62			<b>302.24</b>	60.49
- Digilife Distribution and Marketing Services Limited			-	21.38						
- HCL Infotech Limited			240.86	-						
- HCL Learning Limited			61.38	1.49						
- RMA Software Park Private Limited					-	37.62				
<b>Loans and Advances Given (Net)</b>			<b>83.68</b>	424.65					<b>83.68</b>	424.65
- HCL Infotech Limited			-	264.22						
- HCL Services Limited			83.67	160.43						
- Pimpri Chinchwad Eservices Limited			0.01	-						
<b>Interest Charged on Loans &amp; Advances Given</b>			<b>88.51</b>	119.02					<b>88.51</b>	119.02
- HCL Infotech Limited			66.77	90.61						
- HCL Learning Limited			2.35	2.99						
- RMA Software Park Private Limited			-	0.65						
- HCL Services Limited			19.39	23.93						
- Digilife Distribution and Marketing Services Limited			-	0.85						
<b>Security Deposit Received</b>					-	4.81			-	4.81
- HCL Talent Care Private Limited					-	4.81				
<b>Rent Received</b>					<b>6.01</b>	1.48			<b>6.01</b>	1.48
- HCL Talent Care Private Limited					4.38	-				
- HCL Technologies Limited					1.63	1.48				
<b>Assets Purchased</b>			-	0.01					-	0.01
- Digilife Distribution and Marketing Services Limited			-	0.01						
<b>Remuneration</b>							<b>1.72</b>	3.31	<b>1.72</b>	3.31
- Mr. S.G. Murali							1.43	0.47		
- Mr.Sushil Jain							0.30	0.45		
- Mr. Harshavardhan Madhav Chitale							-	1.15		
- Mr.Sandeep Kanwar							-	1.24		
<b>Reimbursements towards expenditure</b>										
a) Received			<b>34.22</b>	29.93					<b>34.22</b>	29.93
- HCL Infotech Limited			13.50	4.55						
- HCL Services Limited			16.08	20.71						
- HCL Learning Limited			4.10	1.95						
b) Paid			<b>10.08</b>	15.18					<b>10.08</b>	15.18
- HCL Services Limited			9.08	12.23						
- HCL Learning Limited			0.99	2.95						
<b>B. Amount due to / from related parties</b>										
Investment In Subsidiaries			<b>971.51</b>	642.96					<b>971.51</b>	642.96
Business Consideration & Other Receivables			-	165.85					-	165.85
Trade Receivables	-	0.01	<b>37.37</b>	121.83	<b>3.39</b>	4.37			<b>40.76</b>	126.21
Inter Corporate Deposit and Other Recoverables			<b>648.88</b>	1,262.15					<b>648.88</b>	1,262.15
Trade Payables			<b>66.57</b>	168.02	<b>0.35</b>	0.44			<b>66.92</b>	168.46
Other Payables			<b>16.62</b>	15.92	<b>4.81</b>	4.81			<b>21.43</b>	20.73

# Sales and Related Income, Sale of Services, Purchase of Goods and Purchase of Services are net of transactions between HCL Infosystems and HCL Infotech on account of pending Novation of Contracts of System Integration Business.



# Notes to the Financial Statements

## 48. Disclosures pursuant to the Regulation 34(3) read with para A of Schedule V to SEBI Listing Regulations, 2015

Disclosure of amounts at the year end and the maximum amount of loans/advances/investments outstanding during the period ended March 31, 2016

	2016 ₹ /Crores						2015 ₹ /Crores					
A. Loans and Advances in the nature of Loans to Subsidiaries & Associates												
a. Name	RMA Software Park Private Limited	Pimpri Chinchwad eServices Limited	HCL Services Limited	Digilife Distribution and Marketing Services Limited	HCL Infotech Limited	HCL Learning Limited	RMA Software Park Private Limited	Pimpri Chinchwad eServices Limited	HCL Services Limited	Digilife Distribution and Marketing Services Limited	HCL Infotech Limited	HCL Learning Limited
b. Balance outstanding at the year end	–	0.01	183.48	–	455.21	8.56	–	–	288.82	–	946.06	25.09
c. Maximum amount outstanding during the year ended March 31, 2016	–	0.01	352.55	–	959.90	67.02	37.73	–	292.95	21.37	946.74	28.02
B. Loans and Advances in the nature of loans where no interest or interest below Section 186 of Companies Act, 2013 is charged												
a. Name	RMA Software Park Private Limited	Pimpri Chinchwad eServices Limited	HCL Services Limited	Digilife Distribution and Marketing Services Limited	HCL Infotech Limited	HCL Learning Limited	RMA Software Park Private Limited	Pimpri Chinchwad eServices Limited	HCL Services Limited	Digilife Distribution and Marketing Services Limited	HCL Infotech Limited	HCL Learning Limited
b. Balance outstanding at the year end	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
c. Maximum amount outstanding during the year ended March 31, 2016	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Loans given to employees under various schemes of the Company have been considered to be out of purview of disclosure requirement.												
									2016	2015		
C. Loans and Advances in the nature of loans to firms/companies in which directors are interested									Nil	Nil		
D. Investment by the loanees in the shares of the Company									2016	2015		
a. Name of the Loanee									–	–		
b. Balance outstanding at the year end									Nil	Nil		
c. Maximum amount outstanding during the year ended March 31, 2016									Nil	Nil		
d. Investments made by the Loanee									Nil	Nil		
e. Maximum amount of Investment during the year ended March 31, 2016									Nil	Nil		

## Notes to the Financial Statements

### 49. a) Derivative Instruments outstanding at the Balance Sheet date :

The Company has following outstanding derivatives as at the reporting date:

Particulars	Foreign Currency Value / Crores		Average Rate		Maximum Maturity Period	
	2016	2015	2016	2015	2016	2015
Forward contracts to buy USD	<b>\$0.62</b>	\$0.68	<b>68.61</b>	65.59	<b>6 Months</b>	8 Months
Options to hedge USD liability	<b>NIL</b>	NIL	–	–	<b>Nil</b>	Nil

The above derivatives have been undertaken to hedge the foreign currency exposures on Import as at March 31, 2016.

### b) As on March 31, 2016 the foreign currency exposure that is not hedged by a derivative instrument or otherwise in respect of :

Particulars	2016 ₹ / Crores	2015 ₹ / Crores
Trade Payables	<b>4.24</b>	5.23
Trade Receivables	<b>0.60</b>	4.37

### c) Mark-to-Market losses provided for as on March 31, 2016 of ₹ Nil (2015 - ₹ 0.04 Crores).

### d) The unaccrued forward exchange cover has been included under 'Other current assets' as 'Unamortised Premium on Forwards Contracts'.

Particulars	2016 ₹ / Crores	2015 ₹ / Crores
Unamortised premium	<b>0.59</b>	0.74

### 50. The Hon'ble High Court of Delhi sanctioned a Composite Scheme of Arrangement (the "Scheme") applicable from 1st January, 2013 between the Company and its wholly owned subsidiaries namely HCL Infotech Limited, HCL Services Limited and HCL Learning Limited (collectively the "Transferee Companies") and HCL Infocom Ltd and their respective shareholders and creditors under the provisions of section 391 to 394 of the Companies Act, 1956, vide its order dated September 18, 2013 received on October 30, 2013. The Scheme became effective from November 1, 2013 on filing a certified copy of the High Court order with the office of the Registrar of the Companies, NCT of Delhi & Haryana and is applicable from January 1, 2013 (the "Appointed date"). According to the Scheme, as on 1st January, 2013, the Hardware Solutions Business, Services Business and Learning Business (collectively the "Transferred Undertakings") of the Company was transferred to HCL Infotech Limited, HCL Services Limited and HCL Learning Limited (collectively the "Transferee Companies") respectively, the wholly owned subsidiaries. Also with effect from the appointed date, HCL Infocom Limited was merged with the Company.

As detailed in the scheme, the Company transferred net assets as on 1st January, 2013 having book value of ₹ 1,118.13 Crores for Hardware Solution Business to HCL Infotech Limited for Nil Consideration, net assets having book value of ₹ 79.31 Crores for Services business to HCL Services Ltd for a consideration of ₹ 61.00 Crores and net assets having book value of ₹ 111.84 Crores of Learning business to HCL Learning Limited at a consideration of ₹ 113.00 Crores. On such transfers, ₹ 1,135.28 Crores, being the difference of the net assets transferred and the consideration received was debited to Business Restructuring Reserve, on merger of HCL Infocom Ltd ₹ 959.48 crores, being the difference between fair value of net assets and the Company's investment in HCL Infocom Limited, was credited to capital reserve, and the Business restructuring reserve so arising was adjusted from capital reserve ₹ 959.48 Crores and from Securities Premium account ₹ 175.80 Crores. The Fair values as at December 31, 2012 of the transferred undertakings and assets/liabilities recorded by the transferee companies as at appointed date, were determined by the independent valuer appointed by the Company.



## HCL INFOSYSTEMS

### Notes to the Financial Statements

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Subsequent to the effective date, the Company is in the process of entering into novation agreements with the relevant third parties, including customers and vendors, pertaining to the HCL Infotech Limited. These financial statements have been prepared with the assumption that such novation will be granted by respective parties. The Management expects it to be concluded within a reasonable period of time and does not anticipate any material impact on the financial results of the Company.

51. In compliance with the Section 2(41) of Companies Act, 2013, the company has changed its Financial year end from June 30 to March 31. Accordingly, the current year's figures are for the nine month period from July 1, 2015 to March 31, 2016 and to the extent are not comparable with those for the previous year. Previous year's figures have also been regrouped / recasted, wherever necessary, to conform to the current period's presentation.

#### For Price Waterhouse

Firm Registration Number-301112E  
Chartered Accountants

#### AVIJIT MUKERJI

Partner  
Membership Number -056155

Place : Noida

Date : May 25, 2016

#### For and on behalf of the Board of Directors

#### PREMKUMAR SESHADRI

Executive Vice Chairman  
& Managing Director  
DIN - 03114983

#### S G MURALI

Group Chief Financial Officer

#### KAUSHIK DUTTA

Director  
DIN - 03328890

#### SUSHIL KUMAR JAIN

Company Secretary

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# **CONSOLIDATED ACCOUNTS**

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# Consolidated Accounts

## Independent Auditors' Report

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### **To the Members of HCL Infosystems Limited** **Report on the Consolidated Financial Statements**

1. We have audited the accompanying Consolidated Financial Statements of HCL Infosystems Limited ("hereinafter referred to as the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") and its jointly controlled entity; (refer Note 1 to the attached consolidated financial statements), comprising of the consolidated Balance Sheet as at March 31, 2016, the consolidated Statement of Profit and Loss, the consolidated Cash Flow Statement for the nine months period then ended, and a summary of significant accounting policies and other explanatory information prepared based on the relevant records (hereinafter referred to as "the Consolidated Financial Statements").

### **Management's Responsibility for the Consolidated Financial Statements**

2. The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group including its jointly controlled entity in accordance with accounting principles generally accepted in India including the Accounting Standards specified under Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014. The Holding Company's Board of Directors is also responsible for ensuring accuracy of records including financial information considered necessary for the preparation of Consolidated Financial Statements. The respective Board of Directors of the companies included in the Group and of its jointly controlled entity are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and its jointly controlled entity respectively and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which has been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

### **Auditors' Responsibility**

3. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act and the Rules made thereunder including the accounting standards and matters which are required to be included in the audit report.
4. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the Consolidated Financial Statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the Consolidated Financial Statements.
6. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraph 8 of the Other Matters paragraph below, other than the unaudited financial information as certified by the management and referred to in sub-paragraph 9 of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Consolidated Financial Statements.

### **Opinion**

7. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Consolidated Financial Statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the consolidated state of affairs of the Group and its jointly controlled entity as at March 31, 2016, and their consolidated loss and their consolidated cash flows for the nine months period ended on that date.

### **Other Matter**

8. We did not audit the financial statement of one subsidiary whose financial statements reflect total assets of ₹ 0.01 crores and net assets of ₹ (0.02) crores as at March 31, 2016, total revenue of ₹ Nil, net loss of ₹ 0.01 crores and net cash flows amounting to ₹ 0.01 crores for the nine months period ended on that date, as considered in the consolidated financial statements. These financial statement have been audited by other auditors whose reports have been furnished to us by

the Management, and our opinion on the Consolidated Financial Statements in so far as it relates to the amounts and disclosures included in respect of this subsidiary and our report in terms of sub-section (3) of Section 143 of the Act in so far as it relates to the aforesaid subsidiary, is based solely on the reports of the other auditors.

9. We did not audit the financial information of two subsidiaries and one jointly controlled entity whose financial information reflect total assets of ₹ 1.28 crores and net assets of ₹ 0.02 crores as at March 31, 2016, total revenue of ₹ 0.16 crores, net loss of ₹ 0.07 crores and net cash flows amounting to ₹ (0.04) crores for the nine months period ended on that date, as considered in the Consolidated Financial Statements. These financial information are unaudited and have been furnished to us by the Management, and our opinion on the consolidated financial statements in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and jointly controlled entity and our report in terms of sub-section (3) of Section 143 of the Act in so far as it relates to the aforesaid subsidiaries and jointly controlled entity, is based solely on such unaudited financial information. In our opinion and according to the information and explanations given to us by the Management, these financial information are not material to the Group.

Our opinion on the Consolidated Financial Statements and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial information certified by the Management.

#### **Report on Other Legal and Regulatory Requirements**

10. As required by Section 143(3) of the Act, we report, to the extent applicable, that:
  - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid Consolidated Financial Statements.
  - (b) In our opinion, proper books of account as required by law maintained by the Holding Company, its subsidiaries included in the Group and its jointly controlled entity incorporated in India including relevant records relating to preparation of the aforesaid Consolidated Financial Statements have been kept so far as it appears from our examination of those books and records of the Holding Company, report of the auditors of the subsidiary company and financial information of the subsidiary companies and a Jointly controlled entity furnished to us by the management.
  - (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained by the Holding Company, its subsidiaries included in the Group and its jointly controlled entity incorporated in India including relevant records relating to the preparation of the consolidated financial statements.
  - (d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
  - (e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2016 taken on record by the Board of Directors of the Holding Company and the reports of the auditors of its subsidiary companies and unaudited financial information of the subsidiary companies and a Jointly controlled entity incorporated in India furnished to us by the management, none of the directors of the Group companies and its jointly controlled entity incorporated in India is disqualified as on March 31, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.
  - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Holding Company, its subsidiary companies and jointly controlled company incorporated in India and the operating effectiveness of such controls, refer to our separate Report in Annexure A.
  - (g) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - i. The consolidated financial statements disclose the impact, if any, of pending litigations as at March 31, 2016 on the consolidated financial position of the Group and its jointly controlled entity incorporated in India – Refer Note 29 to the consolidated financial statements.
    - ii. Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts – Refer Note 8 to the consolidated financial statements in respect of such items as it relates to the Group and its jointly controlled entity. The Group and its jointly controlled entity did not have any long-term derivative contracts as at March 31, 2016.
    - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiary companies and jointly controlled entity incorporated in India during the nine months period ended March 31, 2016.

For Price Waterhouse  
Firm Registration Number: 301112E  
Chartered Accountants

Avijit Mukerji  
Partner  
Membership Number: 056155

Place : Noida  
Date : May 25, 2016



# Annexure A to Independent Auditors' Report

**Referred to in paragraph 10(f) of the Independent Auditors' Report of even date to the members of HCL Infosystems Limited on the consolidated financial statements for the nine months period ended March 31, 2016**

## **Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act**

1. In conjunction with our audit of the consolidated financial statements of HCL Infosystems Limited (hereinafter referred to as "the Holding Company") as of and for the nine months period ended March 31, 2016, we have audited the internal financial controls over financial reporting of the Holding Company and its subsidiary companies and its jointly controlled entity, which are companies incorporated in India, as of that date.

### **Management's Responsibility for Internal Financial Controls**

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

### **Auditor's Responsibility**

3. Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the ICAI and the Standards on Auditing deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports of subsidiary company and representation received from the management for the joint controlled entity referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting of the Holding Company and its subsidiary companies and its jointly controlled entity, which are companies incorporated in India.

### **Meaning of Internal Financial Controls over Financial Reporting**

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

**Inherent Limitations of Internal Financial Controls over Financial Reporting**

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

**Opinion**

8. In our opinion, the Holding Company, its subsidiary companies and its jointly controlled entity, which are companies incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the respective Board of Directors of the Holding company, its subsidiary companies and its jointly controlled entity, considering the essential components of internal control stated in the Guidance Note issued by the Institute of Chartered Accountants of India.

**Other Matters**

9. Our opinion on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to an audited subsidiary company is based on the report of the other auditor and insofar as it relates to an unaudited jointly controlled entity incorporated in India is based on representation received from the management (also refer para 8 & 9 of the Independent Auditors' Report above). Our opinion is not modified in respect of this matter.

Place of the Signature : Noida  
Date : May 25, 2016

For Price Waterhouse  
Firm Registration Number: 301112E  
Chartered Accountants

Avijit Mukerji  
Partner  
Membership Number: 056155

## Consolidated Balance Sheet as at March 31, 2016

	Notes	As at 31.03.2016 ₹/Crores		As at 30.06.2015 ₹/Crores	
<b>Equity and Liabilities:</b>					
<b>Shareholders' funds</b>					
Share capital	2	44.58	1,008.04	44.58	1,257.50
Reserves and surplus	3	963.46		1,212.92	
<b>Non-current liabilities</b>					
Long-term borrowings	4	542.15	579.72	235.94	271.44
Deferred tax liabilities ( Net)	31	0.73		0.93	
Other long-term liabilities	5	17.01		20.10	
Long-term provisions	6	19.83		14.47	
<b>Current liabilities</b>					
Short-term borrowings	7	453.63	1,932.72	643.88	2,418.06
Trade payables	8				
-Total Outstanding dues of Micro Enterprises and Small Enterprises and		0.35		10.14	
-Total Outstanding dues of Creditors other than Micro Enterprises and Small Enterprises		887.72		1,062.98	
Other current liabilities	9	576.16		684.68	
Short-term provisions	10	14.86		16.38	
<b>Total Equity and Liabilities</b>			<b>3,520.48</b>		<b>3,947.00</b>
<b>Assets:</b>					
<b>Non-current assets</b>					
Fixed assets			1,066.70		1,085.18
- Tangible assets	11	131.06		135.80	
- Intangible assets	11	596.43		674.74	
- Capital work-in-progress		2.01		0.84	
- Intangible assets under development		2.18		–	
Non-current investments	12A	0.02		–	
Deferred tax assets (net)	31	0.37		0.43	
Long-term loans and advances	13	248.65		119.98	
Other non-current assets	14	85.98		153.39	
<b>Current assets</b>					
Current investments	12B	49.97	2,453.78	234.84	2,861.82
Inventories	15	214.20		254.74	
Trade receivables	16	931.22		871.29	
Cash and bank balances	17	218.34		134.41	
Short-term loans and advances	18	181.15		219.23	
Other current assets	19	858.90		1,147.31	
<b>Total Assets</b>			<b>3,520.48</b>		<b>3,947.00</b>
<b>Significant Accounting Policies</b>		1			

This is the Consolidated Balance Sheet referred to in our report of even date

The notes referred to above form an integral part of the Consolidated Balance Sheet

**For Price Waterhouse**  
Firm Registration Number-301112E  
Chartered Accountants

**For and on behalf of the Board of Directors**

**AVIJIT MUKERJI**  
Partner  
Membership Number -056155

**PREMKUMAR SESHADRI**  
Executive Vice Chairman  
& Managing Director  
DIN - 03114983

**KAUSHIK DUTTA**  
Director  
DIN - 03328890

Place : Noida  
Date : May 25, 2016

**S G MURALI**  
Group Chief Financial Officer

**SUSHIL KUMAR JAIN**  
Company Secretary

# Consolidated Statement of Profit & Loss for the period ended March 31, 2016

	Notes	Nine months period ended 31.03.2016 ₹/Crores		Year ended 30.06.2015 ₹/Crores	
<b>Revenue:</b>					
Revenue from operations (gross)	20	<b>3,717.97</b>		6,220.08	
Less: Excise Duty		<b>0.12</b>	<b>3,717.85</b>	–	6,220.08
Other income	21		<b>57.58</b>		64.32
			<b>3,775.43</b>		6,284.40
<b>Expenses:</b>					
Cost of materials consumed			<b>0.08</b>		13.26
Purchases of stock-in-trade			<b>2,614.52</b>		4,536.06
Changes in inventories of finished goods, work-in-progress and stock-in-trade	22		<b>41.13</b>		169.25
Other direct expense	23		<b>402.63</b>		560.31
Employee benefits expense	24		<b>463.64</b>		582.18
Finance costs	25		<b>118.67</b>		142.78
Depreciation and amortisation expense	11		<b>31.98</b>		51.90
Net Loss on Foreign Exchange Fluctuation (other than considered as Finance Cost)			<b>4.02</b>		6.01
Other expenses	26		<b>284.68</b>		425.17
			<b>3,961.35</b>		6,486.92
<b>Loss before exceptional items and tax</b>			<b>(185.92)</b>		(202.52)
Exceptional items	27		<b>(67.22)</b>		28.94
<b>Loss before tax</b>			<b>(253.14)</b>		(173.58)
Tax expense					
Current tax		<b>8.97</b>		23.78	
Less: MAT Credit Entitlement		<b>(7.41)</b>		(18.28)	
Current tax - For the year		<b>1.56</b>		5.50	
Deferred tax Expense / (Credit)	31	<b>(0.26)</b>	<b>1.30</b>	5.62	11.12
Loss for the year			<b>(254.44)</b>		(184.70)
<b>Loss per equity share (in ₹)</b>	34				
Basic (of ₹ 2/- each)			<b>(11.41)</b>		(8.29)
Diluted (of ₹ 2/- each)			<b>(11.41)</b>		(8.29)
<b>Significant Accounting Policies</b>	1				

This is the Statement of Consolidated Profit and Loss referred to in our report of even date

The notes referred to above form an integral part of the Consolidated Profit and Loss

## For Price Waterhouse

Firm Registration Number-301112E  
Chartered Accountants

## AVIJIT MUKERJI

Partner  
Membership Number -056155

## For and on behalf of the Board of Directors

## PREMKUMAR SESHADRI

Executive Vice Chairman  
& Managing Director  
DIN - 03114983

## KAUSHIK DUTTA

Director  
DIN - 03328890

Place : Noida  
Date : May 25, 2016

## S G MURALI

Group Chief Financial Officer

## SUSHIL KUMAR JAIN

Company Secretary

## Consolidated Cash Flow Statement for the period ended March 31, 2016

	Nine months period ended 31.03.2016 ₹/Crores		Year ended 30.06.2015 ₹/Crores	
<b>1. Cash Flow from Operating Activities:</b>				
<b>Loss before tax</b>		<b>(253.14)</b>		<b>(173.59)</b>
<b>Adjustments for:</b>				
Depreciation and Amortisation Expense	<b>31.98</b>		51.90	
Finance Costs	<b>118.67</b>		142.78	
Interest Income	<b>(22.28)</b>		(39.84)	
Dividend Income	<b>(5.68)</b>		(9.34)	
Net (Profit) on Sale of Fixed Assets	<b>(2.86)</b>		(13.73)	
Fixed Assets and Capital Work-In-Progress Written-Off	<b>1.15</b>		9.31	
Profit on Disposal of Unquoted (Others) Current Investments	<b>(3.80)</b>		(3.31)	
Provision for Doubtful Debts	<b>29.37</b>		86.09	
Provision for Doubtful Loans and Advances	<b>8.73</b>		12.19	
Provisions/Liabilities no longer required Written Back	<b>(15.71)</b>		(3.75)	
Impairment of Goodwill	<b>70.00</b>		–	
Effect of Exchange Differences on Translation of Subsidiaries	<b>4.94</b>	<b>214.51</b>	(0.85)	231.45
<b>Operating Profit/(Loss) before working capital changes</b>		<b>(38.63)</b>		<b>57.86</b>
<b>Adjustments for changes in working capital:</b>				
- (Increase)/Decrease in Trade Receivables	<b>(89.30)</b>		(125.37)	
- (Increase)/Decrease in Loans and Advances and Other Assets	<b>180.62</b>		18.69	
- (Increase)/Decrease in Inventories	<b>40.54</b>		180.91	
- Increase/(Decrease) in Liabilities	<b>(217.53)</b>	<b>(85.67)</b>	(499.47)	(425.24)
<b>Cash used in operations</b>		<b>(124.30)</b>		<b>(367.38)</b>
- Taxes (Paid)/Received (Net of Tax Deducted at Source)		<b>(2.97)</b>		<b>(1.81)</b>
<b>Net cash used in operating activities (A)</b>		<b>(127.27)</b>		<b>(369.19)</b>
<b>2. Cash flow from Investing Activities:</b>				
Purchase of Fixed Assets (including Intangible Assets)	<b>(26.48)</b>		(33.47)	
Capital Work-In-Progress (including Intangible Assets under Development)	<b>(4.50)</b>		0.77	
Proceeds from Sale of Fixed Assets	<b>11.93</b>		85.78	
Proceeds from Sale of Current Investments	<b>358.67</b>		776.87	
Lease Rental Recoverable	<b>74.66</b>		113.66	
Purchase of Current Investments	<b>(170.00)</b>		(833.62)	
Investments in Bank Deposits (with original maturity of more than three months)	<b>(8.95)</b>		129.01	
Movement in Margin Money	<b>(0.63)</b>		(0.20)	
Interest Received	<b>22.28</b>		39.46	
Dividend Received on Current Investments	<b>5.68</b>	<b>262.66</b>	9.34	287.60
<b>Net cash from investing activities (B)</b>		<b>262.66</b>		<b>287.60</b>

## Consolidated Cash Flow Statement for the period ended March 31, 2016

	Nine months period ended 31.03.2016 ₹/Crores		Year ended 30.06.2015 ₹/Crores	
<b>3. Cash Flow from Financing Activities:</b>				
Share Premium Received (Net)	0.04		–	
Secured Loans				
Proceeds from Short term borrowings	652.06		997.54	
Repayment of Short term borrowings	(663.73)		(932.52)	
Proceeds from Long term borrowings	500.08		100.00	
Repayment of Long term borrowings	(268.93)		(285.08)	
Unsecured Loans				
Proceeds from Short term borrowings	900.00		450.00	
Repayment of Short term borrowings	(1,078.55)		(164.99)	
Proceeds from Long term borrowings	173.40		148.82	
Repayment of Long term borrowings	(162.13)		(174.39)	
Interest Paid	(112.93)		(141.32)	
Dividend Paid/Amount transferred to Investor Education & Protection fund	(0.35)	(61.04)	(0.50)	(2.44)
<b>Net cash used in financing activities (C)</b>		<b>(61.04)</b>		<b>(2.44)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)</b>		<b>74.35</b>		<b>(84.03)</b>
Opening Balance of Cash and Cash Equivalents		126.36		210.39
Closing Balance of Cash and Cash Equivalents		200.71		126.36
<b>Cash and cash equivalents comprise</b>		<b>200.71</b>		<b>126.36</b>
Cash, Cheques and Drafts (in hand)		7.63		7.59
Balances with Banks on Current Accounts and Dividend Accounts		174.64		87.89
Balances with Banks on Deposits Accounts		18.44		30.88

### Notes:

- The above Cash Flow Statement has been prepared under the indirect method set out in Accounting Standard-3, notified u/s 211(3C) of Companies (Accounting Standard) Rules 2006, as amended and relevant provisions of the Companies Act, 2013.
- Cash and cash equivalents include balances with banks in unclaimed dividend accounts amounting to ₹ 1.81 Crores (2015- ₹ 2.19 Crores) which are not available for use by the Company.
- Figures in brackets indicate cash outgo.

This is the Consolidated Cash Flow Statement referred to in our report of even date

### For Price Waterhouse

Firm Registration Number-301112E  
Chartered Accountants

### AVIJIT MUKERJI

Partner  
Membership Number -056155

Place : Noida

Date : May 25, 2016

Consolidated Cash Flow Statement

### For and on behalf of the Board of Directors

### PREMKUMAR SESHADRI

Executive Vice Chairman  
& Managing Director  
DIN - 03114983

### S G MURALI

Group Chief Financial Officer

### KAUSHIK DUTTA

Director  
DIN - 03328890

### SUSHIL KUMAR JAIN

Company Secretary



# Notes

to the Consolidated Financial Statements

## 1- SIGNIFICANT ACCOUNTING POLICIES

### a. GROUP COMPANIES

These consolidated financial statements comprise the financial statement of HCL Infosystems Limited (the "Company"), its subsidiaries and joint ventures (JV) (the "Group"), as given in the following table:

Name of the Subsidiary/ JV	Country of Incorporation	Extent of Holding (%) as at June 30	
		2016	2015
<b><u>Subsidiary</u></b>			
Digilife Distribution and Marketing Services Limited	India	100	100
Pimpri Chinchwad eServices Limited	India	85	85
HCL Computing and Products Limited	India	100	100
HCL Infotech Limited	India	100	100
HCL Learning Limited	India	100	100
HCL Services Limited	India	100	100
<b><u>Step-down Subsidiary of HCL Services Limited</u></b>			
HCL Insys Pte. Limited.	Singapore	100	100
HCL Touch Inc.	USA	100	100
<b><u>Step-down Subsidiary of HCL Infotech Limited</u></b>			
HCL Investment Pte. Limited.	Singapore	100	100
<b><u>Step-down Subsidiary of HCL Investment Pte. Limited</u></b>			
HCL Infosystems South Africa Pty. Limited	South Africa	100	100
<b><u>Step-down Subsidiary of HCL Insys Pte. Limited</u></b>			
HCL Infosystems MEA FZE	Dubai	100	100
<b><u>Step-down Subsidiary of HCL Infosystems MEA FZE</u></b>			
HCL Infosystems LLC, Dubai#	Dubai	49	49
HCL Infosystems MEA LLC, Abu Dhabi #	Abu Dhabi	49	49
HCL Infosystems Qatar, WLL #	Qatar	49	49
<b><u>Joint Venture</u></b>			
Nokia HCL Mobile Internet Services Limited	India	49	49

# Due to control over composition of the Board of Directors.

### b. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with the generally accepted accounting principles in India under the historical cost convention on accrual basis. Pursuant to Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014, till the Standards of Accounting or any addendum thereto are prescribed by Central Government in consultation and recommendation of the National Financial Reporting Authority, the existing Accounting Standards notified under the Companies Act, 1956 shall continue to apply. Consequently these financial statements have been prepared to comply in all material aspects with the Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 (Companies Accounting Standards Rules, 2006, as amended) and other relevant provisions of the Companies Act, 2013.

All assets and liabilities have been classified as current or non-current as per the Group's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Group has ascertained its operating cycle as 12 months for the purpose of current – non-current classification of assets and liabilities, except for System Integration business. The System Integration business which comprises of long-term contracts and have an operating cycle exceeding one year. For classification of current assets and liabilities related to System Integration business, the Group elected to use the duration of the individual contracts as its operating cycle.

The Ministry of Corporate Affairs (MCA) has notified the Companies (Accounting Standard) Amendment Rules, 2016 vide its notification dated 30 March, 2016. The said notification read with Rule 3(2) of the Companies (Accounting Standard) Rules, 2006 is applicable to accounting period commencing on or after the date of notification i.e. 1 April, 2016.

# Notes

to the Consolidated Financial Statements

Subsidiaries have been consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances/transactions in full as per Accounting Standard 21 on 'Consolidated Financial Statements'.

Minority Interest represents the minority shareholders' proportionate share of net assets and the net income in consolidated subsidiaries. Minorities' interest in net profit of consolidated subsidiaries for the year is identified and adjusted against the income in order to arrive at the net income attributable to the shareholders of the Company.

Interests in the assets, liabilities, income and expenses of the joint venture are consolidated using proportionate consolidation method. Intra-group balances, transactions and unrealised profits/losses are eliminated to the extent of Company's proportionate share in such joint venture.

All unrealised surplus and deficits on transactions among the Group companies are eliminated.

Goodwill has been recorded to the extent that the cost of acquisition exceeds the book value of group's share of identifiable net assets in each acquired company. The goodwill arising on consolidation is tested for impairment at each balance sheet date.

Accounting policies among the Group companies are materially consistent.

## c. FIXED ASSETS

Tangible Fixed Assets including in-house capitalisation and Capital work-in-progress are stated at cost except those which are revalued from time to time on the basis of current replacement cost/value to the Group, net of accumulated depreciation.

Assets taken on finance lease on or after April 1, 2001 are stated at fair value of the assets or present value of minimum lease payments whichever is lower.

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

Losses arising from the retirement of, and gains or losses arising from disposal of fixed assets which are carried at cost are recognised in the Statement of Profit and Loss.

Intangible Assets are stated at acquisition cost, net of accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised on a straight line basis over their estimated useful lives.

## d. DEPRECIATION AND AMORTISATION

(a) Depreciation on fixed assets of the Company and its domestic subsidiaries is provided on a pro-rata basis on straight-line method using the useful lives of assets prescribed in Schedule II of the Companies Act, 2013 except for Hand Held Terminal which are depreciated over the useful life of 5 years, which, based on technical assessment, management believes represent the period over which these are expected to be used.

(b) Depreciation on fixed assets of the Foreign subsidiaries is provided on a pro-rata basis on straight-line method based on the management estimates of useful economic lives as follows

Building	20 Years
Computers	3-4 Years
Furniture and Fixtures	4-6 Years
Office Equipments	6 Years

(c) Intangible Assets (other than Goodwill) are amortised at straight line basis as follows:

Intellectual Property Rights	7 years
Software	1-5 years
Technical Know how	3 years

(Product/Technology development cost)

The amortisation period and the amortisation method are reviewed at least at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly. Gains or losses arising from the retirement or disposal of an intangible asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognised as income or expense in the Statement of Profit and Loss.

(d) Leasehold Land is amortised over a period of lease. Leasehold improvements are amortised on straight line basis over the period of three years or lease period whichever is lower.

## Notes to the Consolidated Financial Statements

- (e) Goodwill arising on acquisition and on Consolidation is tested for impairment at each balance sheet date.

**e. INVESTMENTS**

Current investments are carried at lower of cost or fair value where fair value for mutual funds is based on net asset value and for bonds is based on market quote.

**f. INVENTORIES**

Raw Materials and Components held for use in the production of Finished Goods and Work-In-Progress are valued at cost if the finished goods in which they will be incorporated are expected to be sold at or above cost. Cost is determined on the basis of weighted average.

Finished Goods, Stock-In-Trade and Work-In-Progress are valued at lower of cost and net realisable value.

Cost of Finished Goods and Work-In-Progress includes cost of raw materials and components, direct labour and proportionate overhead expenses. Cost is determined on the basis of weighted average.

Stores and Spares are valued at lower of cost and net realisable value/future economic benefits expected to arise when consumed during rendering of services. Adequate adjustments are made to the carrying value for obsolescence. Cost is determined on the basis of weighted average.

Goods In-Transit are valued inclusive of custom duty, where applicable.

**g. FOREIGN CURRENCY TRANSACTIONS**

- a) Foreign currency transactions are recorded at the exchange rates prevailing at the date of transaction. Exchange differences arising on settlement of transactions, are recognised as income or expense in the year in which they arise.
- b) At the balance sheet date, all monetary items denominated in foreign currency, are reported at the exchange rates prevailing at the balance sheet date and the resultant gain or loss is recognised in the Statement of Profit and Loss. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.
- c) With respect to exchange differences arising on translation of long term foreign currency monetary items having a term of 12 months or more, from July 1, 2011 onwards, the Group has adopted the following policy:
- (i) Exchange differences relating to long term foreign currency monetary items, arising during the year, in so far as they relate to the acquisition of a depreciable capital asset are added to or deducted from the cost of the asset and depreciated over the balance life of the asset.
- (ii) In other cases, such differences are accumulated in the "Foreign Currency Monetary Translation Difference Account" and amortised over the balance period of the long term assets/liabilities but not beyond March 31, 2020.
- d) In case of forward foreign exchange contracts where an underlying asset or liability exists at the balance sheet date, the premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contract are recognized in the Statement of Profit and Loss in the reporting period in which the exchange rate change.
- e) Forward exchange contracts outstanding as at the year end on account of firm commitment / highly probable forecast transactions are marked to market and the losses, if any, are recognised in the Statement of Profit and Loss and gains are ignored in accordance with the Announcement of Institute of Chartered Accountants of India on 'Accounting for Derivatives' issued in March 2008.
- f) Any profit or loss arising on cancellation or renewal of a forward exchange contract are recognised as income or as expense for the period.
- g) The financial statements of an integral foreign operation are translated using the principles and procedures as if the transactions of the foreign operation are those of the Company itself.
- h) In translating the financial statements of a non-integral foreign operation for incorporation in financial statements, the assets and liabilities, both monetary and non-monetary, of the non-integral foreign operation are translated at the closing rate; income and expense items of the non-integral foreign operation are translated at average exchange rates prevailing during the year; and all resulting exchange differences are accumulated in a "Foreign Currency Translation Reserve" until the disposal of the net investment.

# Notes to the Consolidated Financial Statements

## h. EMPLOYEE BENEFITS

### Defined Benefits:

#### Gratuity

Liability for gratuity is actuarially determined (using the Projected Unit Credit method) at the end of each year. Actuarial losses/gains are recognised in the Statement of Profit and Loss in the year in which they arise.

#### Provident Fund

Contribution towards provident fund for certain employees is made to the regulatory authorities, where the Group has no further obligations. Such benefits are classified as Defined Contribution Schemes as the Group does not carry any further obligations, apart from the contributions made on a monthly basis.

In respect of certain employees, Provident Fund contributions are made to a multi-employer Trust administered by the Company. The Group's liability is actuarially determined (using the Projected Unit Credit method) at the end of the year and any shortfall in the fund size maintained by the Trust set up by the Company is additionally provided for. Actuarial losses/gains are recognised in the Statement of Profit and Loss in the year in which they arise.

### Other Benefits:

#### Compensated Absences

Accumulated compensated absences, which are expected to be availed or encashed within 12 months from the end of the year end are treated as short term employee benefits. The obligation towards the same is measured at the expected cost of accumulating compensated absences as a result of the unused entitlement as at the year end.

Accumulated compensated absences, which are expected to be availed or encashed beyond 12 months from the end of the year end are treated as other long term employee benefits. The Group's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. Actuarial losses/ gains are recognised in the Statement of Profit and Loss in the year in which they arise.

### Defined Contribution:

Contributions to the employees' state insurance fund, administered by the prescribed government authorities, are made in accordance with the Employees' State Insurance Act, 1948 and are recognised as an expense on an accrual basis.

Group's contribution towards Superannuation Fund is accounted for on accrual basis. The Group makes defined contribution to a Superannuation Trust established for the purpose. The Group has no further obligations beyond its monthly contributions.

### Long Term Employee Benefits:

Employee benefits, which are expected to be availed or encased beyond 12 months from the end of the year, are treated as other long term employee benefits. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year.

## i. REVENUE RECOGNITION

- (a) Sales, after adjusting trade discount, are inclusive of excise duty and the related revenue is recognised on transfer of all significant risks and rewards to the customer and when no significant uncertainty exists regarding realisation of the consideration.
- (b) Composite contracts, outcome of which can be reliably estimated, where no significant uncertainty exists regarding realisation of the consideration, revenue is recognised in accordance with the percentage completion method, under which revenue is recognised on the basis of cost incurred as a proportion of total cost expected to be incurred. The foreseeable losses on the completion of contract, if any, are provided for immediately.
- (c) Service income includes income from IT infrastructure managed services, break-fix services, cloud services, enterprise application services, software development & support services, office automation maintenance services, managed print services and telecom & consumer electronics support services. Revenues relating to time and materials contracts are recognized as the related services are rendered. Revenue in case of fixed priced contracts is recognised on proportionate completion basis. Revenue from a period based service contracts is recognised on a pro rata basis over the period in which such services are rendered.
- (d) Contract-in-progress: For System Integration business, difference between cost incurred plus recognised profit/ less recognised losses and the amount due for payment is disclosed as contract-in-progress.
- (e) Revenue from sale of licenses for educational digital content are recognised on transfer of all significant risks and rewards to the customer and when no significant uncertainty exists regarding realisation of the consideration.

# Notes

to the Consolidated Financial Statements

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## **j. LEASES**

- a) Assets taken under leases where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Such assets are capitalised at the inception of the lease at the lower of fair value or the present value of minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on outstanding liability for each period.
- b) Initial direct costs relating to the finance lease transactions are included as part of the amount capitalised as an asset under the lease.
- c) Assets taken on leases where significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged to the Statement of Profit and Loss on straight-line basis over the lease term.
- d) Profit on sale and leaseback transactions is recognised over the period of the lease.
- e) Assets given under finance lease are recognised as receivables at an amount equal to the net investment in the lease. Inventories given on finance lease are recognised as deemed sale at fair value. Lease income is recognised over the period of the lease so as to yield a constant rate of return on the net investment in the lease.
- f) Assets leased out under operating leases are capitalised. Rental income is recognised on accrual basis over the lease term.
- g) In sale and leaseback transactions and further sub-lease resulting in finance leases, the deemed sale is recognised at fair value at an amount equal to the net investment in the lease where substantially all risks and rewards of ownership have been transferred to the sub-lessee. A liability is created at the inception of the lease at the lower of fair value or the present value of minimum lease payments for sale and leaseback transaction. Each lease rental payable/receivable is allocated between the liability/receivable and the interest cost/income, so as to obtain a constant periodic rate of interest on outstanding liability/receivable for each period.

## **k. SEGMENT REPORTING**

The accounting policies adopted for segment reporting are in conformity with the accounting policies consistently used in the preparation of consolidated financial statements. The basis of reporting is as follows:

- a) Revenue and expenses distinctly identifiable to a segment are recognised in that segment. Identified expenses include direct material, labour, overheads and depreciation on fixed assets. Expenses that are identifiable with/ allocable to segments have been considered for determining segment results.  
  
Allocated expenses include support function costs which are allocated to the segments in proportion of the services rendered by them to each of the business segments. Depreciation on fixed assets is allocated to the segments on the basis of their proportionate usage.
- b) Unallocated expenses/income are enterprise expenses/income, which are not attributable or allocable to any of the business segment.
- c) Assets and liabilities which arise as a result of operating activities of the segment are recognised in that segment. Fixed assets which are exclusively used by the segment or allocated on a reasonable basis are also included.
- d) Unallocated assets and liabilities are those which are not attributable or allocable to any of the segments and includes liquid assets like investments, bank deposits and investments in assets given on finance lease.
- e) Segment revenue resulting from transactions with other business segments is accounted on the basis of transaction price which is at par with the prevailing market price.

## **l. BORROWING COSTS**

Borrowing costs to the extent related/attributable to the acquisition/construction of assets that necessarily take substantial period of time to get ready for their intended use are capitalised along with the respective fixed asset up to the date such asset is ready for use. Other borrowing costs are charged to the Statement of Profit and Loss.

## **m. CURRENT AND DEFERRED TAX**

Tax expense for the period, comprising current tax and deferred tax, are included in the determination of the net profit or loss for the period. Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the taxation laws prevailing in the respective jurisdictions where the Group conducts the business.

# Notes

to the Consolidated Financial Statements

Deferred tax is recognised for all the timing differences, subject to the consideration of prudence in respect of deferred tax assets. Deferred tax assets are recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits. At each Balance Sheet date, the Group reassesses unrecognised deferred tax assets, if any.

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis. Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off assets against liabilities representing current tax and where the deferred tax assets and the deferred tax liabilities relate to taxes on income levied by the same governing taxation laws.

Minimum Alternative Tax (MAT) credit is recognised as an asset only when and to the extent there is reasonable certainty that the Company will pay normal income tax during the specified period. Such asset is reviewed at each Balance Sheet date and the carrying amount of the MAT credit asset is written down to the extent there is no longer a reasonable certainty to the effect that the Company will pay normal income tax during the specified period.

## **n. PROVISIONS AND CONTINGENT LIABILITIES**

The Group creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that probably will not require an outflow of resources or where a reliable estimate of the amount of the obligation cannot be made.

## **o. USE OF ESTIMATES**

The preparation of consolidated financial statements in conformity with Generally Accepted Accounting Principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Examples of such estimates include estimate of cost expected to be incurred to complete performance under composite arrangements, income taxes, provision for warranty, employment benefit plans, provision for doubtful debts and estimated useful life of the fixed assets. The actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

## **p. EMPLOYEE STOCK OPTION SCHEME**

The Group calculates the employee stock compensation expense based on the intrinsic value method wherein the excess of market price of underlying equity shares as on the date of the grant of options over the exercise price of the options given to employees under the Employee Stock Option Scheme of the Group, is recognised as deferred stock compensation expense and is amortised over the vesting period on the basis of generally accepted accounting principles in accordance with the guidelines of Securities and Exchange Board of India.

## **q. IMPAIRMENT OF ASSETS**

At the each balance sheet date, the Group assesses whether there is any indication that an asset (tangible and intangible) may be impaired. If any such indication exists, the Group estimates the recoverable amount and if the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in the Statement of Profit and Loss to the extent the carrying amount exceeds the recoverable amount.

## **R. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash in hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less.

## **s. RESEARCH AND DEVELOPMENT**

Research costs are expensed as incurred. Development expenditure incurred on an individual project is recognised as an intangible asset when technical and commercial feasibility of the project is demonstrated, future economic benefits are probable, the Group has ability and intention to complete the asset and use or sell it and cost can be measured reliably.



# Notes

to the Consolidated Financial Statements

	As at 31.03.2016 ₹/Crores	As at 30.06.2015 ₹/Crores
<b>2- Share capital</b>		
<b>Authorised</b>		
55,25,00,000 Equity Shares (2015 - 55,25,00,000) of ₹ 2/- each	110.50	110.50
5,00,000 Preference Shares (2015 - 5,00,000) of ₹ 100/- each	5.00	5.00
<b>TOTAL</b>	<b>115.50</b>	<b>115.50</b>
<b>Issued, Subscribed and Paid up</b>		
22,29,19,629 Equity Shares (2015 - 22,29,04,629) of ₹ 2/- each (Fully Paid up) (Number of shares issued : 2016 - 15,000 (2015 - 25,000))	44.58	44.58
Add: Shares Forfeited 1,000 shares of ₹ 1/- each (2015 - 1,000 shares of ₹ 1/- each)	0.00	0.00
<b>TOTAL</b>	<b>44.58</b>	<b>44.58</b>

Notes:

(i) Rights attached to Equity Shares:

The Company has only one class of equity share having a face value of ₹ 2/- each. Each holder of equity shares is entitled to one vote per share held. The Company declares and pays dividend in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the Shareholders in ensuing General Meeting, except in case of interim dividend.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive the remaining assets of the Company after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by Shareholders.

(ii) Shares reserved for issue under options:

For detail of shares reserved for issue under Employee Stock Option Plan of the Company, refer Note 32.

(iii) Shareholders holding more than 5% of the aggregate shares in the Company

	As at 31.03.2016		As at 30.06.2015	
	Number of Shares	% of shares	Number of Shares	% of shares
(a) HCL Corporation Private Limited	111,382,239	49.97	111,382,239	49.97
(b) AKM Systems Pvt. Ltd.	11,997,007	5.38	11,997,007	5.38

## 3- Movement in Reserves and surplus

₹/Crores

Particulars	Capital Reserve	Securities Premium Account	General Reserve	Foreign Currency Translation Reserve	Surplus in the Statement of Consolidated Profit and Loss	Total Reserves and Surplus
<b>As at July 1, 2014</b>	0.04	720.12	215.76	14.62	447.94	1,398.48
- Addition to Foreign Currency Translation Reserve	-	-	-	(0.85)	-	(0.85)
- Loss for the year	-	-	-	-	(184.71)	(184.71)
<b>As at June 30, 2015</b>	<b>0.04</b>	<b>720.12</b>	<b>215.76</b>	<b>13.77</b>	<b>263.23</b>	<b>1,212.92</b>
<b>As at July 1, 2015</b>	0.04	720.12	215.76	13.77	263.23	1,212.92
- Addition to Foreign Currency Translation Reserve	-	-	-	4.94	-	4.94
- On issue of Shares (refer Note -32)	-	0.04	-	-	-	0.04
- Loss for the year	-	-	-	-	(254.44)	(254.44)
<b>As at March 31, 2016</b>	<b>0.04</b>	<b>720.16</b>	<b>215.76</b>	<b>18.71</b>	<b>8.79</b>	<b>963.46</b>

# Notes to the Consolidated Financial Statements

	As at 31.03.2016 ₹/Crores	As at 30.06.2015 ₹/Crores
<b>4- Long-term borrowings</b>		
<b>Secured:</b>		
<b>Term Loans</b>		
- From Banks	387.50	79.99
	387.50	79.99
<b>Unsecured:</b>		
<b>Term Loans</b>		
- From Others	148.55	146.16
<b>Finance Lease Obligation (Refer Note 33)</b>	6.10	9.79
	154.65	155.95
<b>TOTAL</b>	<b>542.15</b>	<b>235.94</b>

## Notes:

- Secured Term Loan from Bank amounting to ₹ 500.00 Crores (2015 - NIL), out of which ₹ 112.50 Crores (2015 - NIL) is shown under current maturity of long term debt, is secured by way of (1) first pari passu charge on all immovable, movable and intangible assets of the HCL Infosystems Ltd and its Identified subsidiaries (except few identified properties) (2) first pari passu charge on all receivables and rights under Contract in Progress, Bills Receivables and Unbilled Receivables from Identified contracts & Lease Rental receivables of HCL Infosystems Ltd and its identified Subsidiaries. The creation of Securities' charge is under process. The loan is repayable in 13 quarterly installments starting from September 2016 and carries interest @ 11.15 % p.a.
- Secured Term Loan from Banks amounting to ₹ Nil Crores (2015 - ₹ 143.48 Crores), out of which ₹ Nil Crores (2015 - ₹ 143.48 Crores) was shown under current maturity of long term debt, is secured by way of subservient charge on current assets of the Company. It was also carrying a lien on Mutual Funds of ₹ 99.86 Crs. The loan was repayable in 23 monthly equal instalments starting July 2014 (i.e 1 year from the date of disbursement of the loan) and was carrying interest @ 11.25 % p.a.
- Secured Term Loan from Banks amounting to ₹ Nil Crores (2015 - ₹ 25.45 Crores), out of which ₹ Nil Crores (2015 - ₹ 25.45) was shown under current maturity of long term debt, and ₹ 100 Crores (2015 - ₹ 75 Crores) which is short term loan (Refer Note 7), is secured by way of subservient charge on current assets of the Company. It also carries a lien on Mutual Funds of ₹ 49.97 Crs. The loan was repayable in 8 quarterly equal instalments starting from the date of disbursement and was carrying interest @ 11.67 % p.a. and Short Term Loan of ₹ 100 Crs and was carrying interest @ 11.50 % p.a.
- Secured Term Loan from Banks amounting to ₹ Nil Crores (2015 - ₹ 99.91 Crores), out of which ₹ Nil Crores (2015 - ₹ 19.92 Crores) was shown under current maturity of long term debt, is secured by way of Hypothecation over the receivable from a particular project. The loan was repayable in 1 half yearly and 14 quarterly equal instalments starting from the date of disbursement and was carrying interest @ 11.25 % p.a.
- Unsecured Term loans from Others amounting to ₹ 32.94 Crores (2015 - ₹ 29.25 Crores) and ₹ 20.89 Crores (2015 - ₹ 9.22 Crores), out of which ₹ 34.71 Crores (2015 - ₹ 27.02 Crores) is shown under current maturity of long term debt, are repayable in 8 to 19 equal quarterly installments from the date of the loans and in 3 equal yearly installments from the date of the loan and balance payable in 4th year respectively which are interest free.
- Unsecured Loan under receivable buyout facility amounting to ₹ 34.89 Crores (2015 - ₹ 53.27), out of which ₹ 20.54 Crores (2015 - ₹ 21.97 Crores) is shown under current maturity of long term debt, are repayable in 14 to 20 equal quarterly instalments from the date of the disbursement.
- Unsecured Term loans from Others amounting to ₹ 231.33 Crores (2015 - ₹ 187.87 Crores), out of which ₹ 119.98 Crores (2015 - ₹ 100.06 Crores) is shown under current maturity of long term debt, is repayable in 11 to 12 equal quarterly instalments from the date of the disbursement which carries interest @ 11.74% to 12.50% p.a.
- Unsecured Term loans from Others amounting to ₹ 19.34 Crores (2015 - ₹ 41.70 Crores), out of which ₹ 15.61 Crores (2015 - ₹ 26.08 Crores) is shown under current maturity of long term debt, is repayable in 2 quarterly, 2 half yearly and balance 16 quarterly instalments from the date of the disbursement which carries interest @ 13% p.a.

# Notes

to the Consolidated Financial Statements

	As at 31.03.2016 ₹/Crores	As at 30.06.2015 ₹/Crores
<b>5- Other long-term liabilities</b>		
Trade Payables	–	0.60
Deferred Revenue	<b>2.56</b>	6.08
Deposits	<b>14.45</b>	13.42
<b>TOTAL</b>	<b>17.01</b>	20.10
<b>6- Long-term provisions</b>		
Provision for Gratuity and Other Employee Benefits (Refer Note 36) (includes ₹ 7.4 Crores (2015- Nil Crores) for Other Employee Benefits)	<b>19.83</b>	14.47
<b>TOTAL</b>	<b>19.83</b>	14.47
<b>7- Short-term borrowings</b>		
<b>Secured:</b>		
<b>Loans from Banks</b>		
- From Banks	<b>224.90</b>	281.90
- Cash Credits	<b>103.73</b>	48.14
- Buyers Credit	–	10.29
	<b>328.63</b>	340.33
<b>Others</b>		
- Commercial Papers	<b>125.00</b>	300.00
- Term Loans from Banks	–	3.55
	<b>125.00</b>	303.55
<b>TOTAL</b>	<b>453.63</b>	643.88

**Note:**

1. Secured Loan from Banks amounting to ₹ 124.90 Crores (2015 - ₹ 139.90 Crores) is secured by way of (1) hypothecation of stock-in-trade, book debts as first charge of the Company and its subsidiaries and (2) by way of second charge on all the immovable and movable assets of the Company, along with non-fund based facilities from Banks. The charge ranks pari-passu amongst Bankers.
2. Secured Loan from Banks amounting to ₹ 100 crores (2015- ₹ 75 crores) is secured by way of subservient on Current assets of the company and it also carries lien on mutual funds. (Refer Note 4).
3. Secured Loan from Bank amounting to ₹ Nil Crores (2015- ₹ 67 Crores), Cash credit and Buyers credit along with non-fund based facilities from Banks are secured by way of hypothecation of stock-in-trade, book debts as first charge and by way of second charge on all the immovable and movable assets of the Company and its subsidiaries. The charge ranks pari-passu amongst Bankers.

	As at 31.03.2016 ₹/Crores	As at 30.06.2015 ₹/Crores
<b>8- Trade payables</b>		
a. Total Outstanding dues of Micro Enterprises and Small Enterprises and	<b>0.35</b>	10.14
b. Total Outstanding dues of Creditors other than Micro Enterprises and Small Enterprises [Including Acceptance ₹ 166.12 Crores (2015 - ₹ 153.57 Crores) and foreseeable loss ₹ 22.84 crores (2015 - ₹ 24.32 Crores)]	<b>887.72</b>	1,062.98
	<b>888.07</b>	1,073.12

# Notes

to the Consolidated Financial Statements

	As at 31.03.2016 ₹/Crores	As at 30.06.2015 ₹/Crores
<b>9- Other current liabilities</b>		
Current Maturities of Long-Term Debts (Refer Note 4)	303.34	363.98
Current Maturities of Finance Lease Obligations (Refer Note 4 and 33)	4.33	7.45
Interest Accrued but not due on Borrowings	10.11	4.37
Unpaid Dividends*	1.81	2.16
Deferred Revenue	62.58	89.45
Advances Received from Customers	116.35	94.47
Statutory Dues Payable	30.32	65.56
Employees Benefits Payable	43.44	54.06
Capital Creditors	1.49	0.63
Other Payable	2.39	2.55
<b>TOTAL</b>	<b>576.16</b>	<b>684.68</b>

\* There are no amount due and outstanding to be credited to Investor Education and Protection Fund under Section 205C of the Companies Act, 1956. These shall be credited and paid to the Fund as and when due.

	As at 31.03.2016 ₹/Crores	As at 30.06.2015 ₹/Crores
<b>10- Short-term provisions</b>		
Provision for Gratuity and Other Employee Benefits (Refer Note 36)#	13.86	11.29
Provision for Warranty Liability (Refer Note 30)	–	2.12
Provision for Income Tax [Net of Advance Income Tax of ₹ 3.16 Crores (2015 - ₹ 537.09 Crores)]	1.00	2.97
<b>TOTAL</b>	<b>14.86</b>	<b>16.38</b>

# includes ₹ 5.64 Crores (2015-₹ 5.66 Crores) for provision for leave encashment and ₹ 0.53 Crores (2015- Nil Crores) for other employee benefits.

# Notes

to the Consolidated Financial Statements

## 11- Fixed assets

₹/Crores

Particulars	Gross Block				Depreciation / Amortisation / Impairment				Net Block	
	As at 01.07.2015	Addition	Disposal	As at 31.03.2016	As at 01.07.2015	Addition / Impairment	Disposal	As at 31.03.2016	As at 31.03.2016	As at 30.06.2015
<b>Tangible Assets:</b>										
Leasehold Land	19.08	–	5.24	13.84	1.83	0.14	0.31	1.66	12.18	17.25
Leasehold Improvements	6.65	1.81	–	8.46	2.70	1.14	–	3.84	4.62	3.95
Freehold Land	7.64	–	–	7.64	–	–	–	–	7.64	7.64
Buildings	76.27	3.99	2.85	77.41	24.05	1.30	0.32	25.03	52.38	52.22
Plant and Machinery	52.53	3.02	0.41	55.14	33.00	5.84	0.28	38.56	16.58	19.53
Furniture and Fixtures	26.65	5.35	0.79	31.21	21.13	1.44	0.38	22.19	9.02	5.52
Office Equipments	15.97	1.09	0.59	16.47	10.36	1.71	0.49	11.58	4.89	5.61
Vehicles	6.67	1.22	–	7.89	2.70	0.88	0.37	3.21	4.68	3.97
Computers	60.07	7.78	3.76	64.09	39.96	7.39	2.33	45.02	19.07	20.11
<b>Sub-Total (a)</b>	<b>271.53</b>	<b>24.26</b>	<b>13.64</b>	<b>282.15</b>	<b>135.73</b>	<b>19.84</b>	<b>4.48</b>	<b>151.09</b>	<b>131.06</b>	<b>135.80</b>
Previous Year	335.11	18.24	81.82	271.53	115.39	30.11	9.77	135.73	135.80	
<b>Intangible Assets:</b>										
Goodwill (Refer Note 44)	56.89	–	–	56.89	–	–	–	–	56.89	56.89
Software	31.13	1.30	–	32.43	25.33	3.55	0.03	28.85	3.58	5.80
Intellectual Property Rights	49.65	–	–	49.65	20.68	5.96	0.06	26.58	23.07	28.97
Goodwill on Consolidation (Refer note 38 and 44)	586.38	2.44	–	588.82	8.00	70.00	–	78.00	510.82	578.38
Technical Knowhow	10.95	–	–	10.95	6.25	2.63	–	8.88	2.07	4.70
<b>Sub-Total (b)</b>	<b>735.00</b>	<b>3.74</b>	<b>–</b>	<b>738.74</b>	<b>60.26</b>	<b>82.14</b>	<b>0.09</b>	<b>142.31</b>	<b>596.43</b>	<b>674.74</b>
Previous Year	728.06	6.94	–	735.00	38.47	21.79	–	60.26	674.74	
<b>Total (a+b)</b>									<b>727.49</b>	

Notes:

- Freehold Land and Building at Ambattur amounting to ₹ 3.28 Crores (2015 - ₹ 3.31 Crores) are pending registration in the name of the Company.
- Software comprise cost of acquiring licences and SAP implementation charges.
- Intellectual Property Rights comprise of designing and implementing education content.
- Technical know how comprise of development cost of new technology/products.
- Addition in Depreciation / amortisation / Impairment during the year includes ₹ 70 Crores Impairment loss on Goodwill related to Learning Segment (Refer Note-34).
- Certain land and building are included above on revalued amounts of ₹ 4.93 Crores (2015- ₹ 8.01 Crores), Revaluation was done by external registered valuers after considering the depreciation upto replacement cost/value.

## 12A- Non Current Investments

	As at 31.03.2016			As at 30.06.2015		
	Face Value	Nos.	Amount	Face Value	Nos.	Amount
<b>Long Term Investment in Equity Instruments</b>						
LTH Milcom Private Limited	₹ 10	20,000	0.02	–	–	–
<b>Total Non Current Investments</b>			<b>0.02</b>			<b>–</b>

# Notes to the Consolidated Financial Statements

## 12B- Current Investments

	As at 31.03.2016			As at 30.06.2015		
	Face Value	Nos.	Amount	Face Value	Nos.	Amount
<b>i. Unquoted (Others): Current (At lower of Cost or Fair Value)</b>						
<b>Mutual Funds, Dividend Options</b>						
Kotak Floater Long Term #	–	–	–	₹ 10	24,800,849	25.00
Birla Sunlife Savings Fund #	–	–	–	₹ 100	7,485,239	74.87
Reliance Money Manager Fund #	₹ 1000	498,809.14	49.97	₹ 1000	498,809	49.97
<b>Sub - Total (a)</b>			<b>49.97</b>			<b>149.84</b>
<b>Mutual Funds, Growth Options</b>						
Birla Sunlife Savings Fund	–	–	–	₹ 100	549,224	15.00
HDFC Floating Rate Income Fund - Short Term Plan - Wholesale Option	–	–	–	₹ 10	6,171,009	15.00
Kotak Floater Long Term	–	–	–	₹ 10	2,213,065	5.00
ICICI Prudential Flexible Income Plan	–	–	–	₹ 100	749,081	20.00
Reliance Money Manager Fund	–	–	–	₹ 1000	103,183	20.00
UTI Treasury Advantage Plan	–	–	–	₹ 1000	25,954	5.00
SBI-SHF Ultra Short Term Fund	–	–	–	₹ 1000	27,410	5.00
<b>Sub - Total (b)</b>			<b>–</b>			<b>85.00</b>
<b>Total Current Investments (a+b)</b>			<b>49.97</b>			<b>234.84</b>

# Under lien with bank

Note : Net asset value of Current Investments in Mutual Funds as on March 31, 2016 is ₹ 50.04 Crores (2015 - ₹ 235.66 Crores).

Aggregate amount of Unquoted Investments **49.99** 234.84

	As at 31.03.2016 ₹/Crores		As at 30.06.2015 ₹/Crores	
<b>13- Long-term loans and advances</b>				
<b>Unsecured, considered good:</b>				
Capital Advances		<b>1.06</b>		1.72
Deposits		<b>108.21</b>		49.70
Prepaid Expenses		<b>26.93</b>		4.41
Advance Income Tax [Net of Provision for Income Tax of ₹ 544.58 Crores (2015 - ₹ 6.62 Crores)]		<b>111.84</b>		63.57
Other Loans and Advances		<b>0.61</b>		0.58
<b>Considered Doubtful</b>				
Deposits and Other Advances	<b>0.50</b>		0.50	
Less: Provision for Doubtful Loans and Advances	<b>0.50</b>	–	0.50	–
<b>TOTAL</b>		<b>248.65</b>		<b>119.98</b>



# Notes

to the Consolidated Financial Statements

	As at 31.03.2016 ₹/Crores		As at 30.06.2015 ₹/Crores	
<b>14- Other non-current assets</b>				
Lease Rental Recoverable (Refer Note 33)	<b>89.58</b>		158.52	
Less: Provision for Doubtful Lease Rental Recoverable	<b>3.60</b>	<b>85.98</b>	5.13	153.39
<b>TOTAL</b>		<b>85.98</b>		153.39
<b>15- Inventories</b>				
Raw Materials and Components [Including In-Transit ₹ 0.06 Crores (2015 - ₹ Nil Crores)]		<b>0.26</b>		–
Finished Goods [Including In-Transit ₹ 0.17 Crores (2015 - ₹ 0.18 Crores)]		<b>0.56</b>		1.91
Stock-In-Trade [Including In-Transit ₹ 36.70 Crores (2015 - ₹ 16.40 Crores)]		<b>137.45</b>		177.23
Stores and Spares		<b>75.93</b>		75.60
<b>TOTAL</b>		<b>214.20</b>		254.74
<b>16- Trade receivables</b>				
<b>Unsecured:</b>				
Debts outstanding for a period exceeding six months from the date they are due for payment				
- Considered Good	<b>163.53</b>		216.37	
- Considered Doubtful	<b>179.26</b>		157.51	
	<b>342.79</b>		373.88	
Other Debts				
- Considered Good	<b>767.69</b>		654.92	
- Considered Doubtful	<b>0.58</b>		–	
	<b>1,111.06</b>		1,028.80	
Less: Provision for Doubtful Debts	<b>179.84</b>	<b>931.22</b>	157.51	871.29
<b>TOTAL</b>		<b>931.22</b>		871.29
<b>17- Cash and bank balances</b>				
<b>Cash and Cash Equivalents</b>				
Balances with Banks				
- On Current Account	<b>172.84</b>		85.71	
Less: Money held in Trust	<b>0.01</b>	<b>172.83</b>	0.01	85.70
- On Dividend Account		<b>1.81</b>		2.19
Cash on Hand		<b>0.16</b>		0.13
Cheques on Hand		<b>7.47</b>		7.46
Bank Deposits with original maturity of three months or less	<b>18.77</b>		31.20	
Less: Money held in Trust	<b>0.33</b>	<b>18.44</b>	0.32	30.88

# Notes

to the Consolidated Financial Statements

	As at 31.03.2016 ₹/Crores		As at 30.06.2015 ₹/Crores	
<b>Other Bank Balances</b>				
Bank Deposits with original maturity of more than three months and upto twelve months	12.70		3.75	
Bank Deposits with original maturity of more than twelve months	0.22	12.92	0.22	3.97
On Margin Account		4.71		4.08
<b>TOTAL</b>		<b>218.34</b>		<b>134.41</b>
<b>18- Short-term loans and advances</b>				
<b>Unsecured</b>				
<b>Considered Good</b>				
Balances with Customs, Port Trust, Excise and Sales Tax Authorities		29.77		38.83
Advances to Creditors		29.61		61.22
Deposits with Tax Authorities		–		0.15
Other Deposits		16.30		19.69
MAT Credit Entitlement		35.68		33.86
Prepaid Expenses		58.68		54.94
Others (Includes Employee advances, Insurance claim recoverable and Expenses recoverable)		11.11		10.54
<b>Considered Doubtful</b>				
Deposits and Other Advances	17.83		8.55	
Less: Provision for Doubtful Loans and Advances	17.83	–	8.55	–
<b>TOTAL</b>		<b>181.15</b>		<b>219.23</b>
<b>19- Other current assets</b>				
Lease Rental Recoverable (Refer Note 33)	100.85		106.57	
Less: Provision for Doubtful Lease Rental Recoverable	9.46	91.39	3.26	103.31
Unbilled revenue		73.88		111.25
Contracts-in-progress (Refer Note 40)		692.76		931.96
Unamortised Premium on Forward Contracts		0.87		0.79
<b>TOTAL</b>		<b>858.90</b>		<b>1,147.31</b>

# Notes

to the Consolidated Financial Statements

	Nine Months Period 31.03.2016 ₹/Crores	Year ended 30.06.2015 ₹/Crores
<b>20- Revenue from operations</b>		
Sale of Products	2,691.69	4,530.76
Sale of Services	728.62	954.67
Revenue from Composite Contracts (Refer Note 40)	297.38	708.96
Other Operating Revenue		
- Scrap Sale	0.28	0.49
- Miscellaneous Income	-	25.20
<b>TOTAL</b>	<b>3,717.97</b>	<b>6,220.08</b>
<b>21- Other income</b>		
Interest Income		
- On Lease Rental	19.07	35.12
- On Fixed Deposits (Gross)	1.90	3.80
- On Others	1.31	0.92
Dividend from Unquoted (Others) Current Investments	5.68	9.34
Profit on Disposal of Unquoted (Others) Current Investments	3.80	3.31
Net Profit/(Loss) on Sale of Fixed Assets	0.08	-
Provisions/Liabilities no longer required written back	15.71	3.75
Miscellaneous Income	10.03	8.08
<b>TOTAL</b>	<b>57.58</b>	<b>64.32</b>
<b>22- Changes in inventories of finished goods, work-in-progress and stock-in-trade</b>		
Closing Stock		
- Finished Goods (Including in Transit)	0.56	1.91
[Including excise duty of ₹ Nil Crores (2015 - ₹ Nil Crores)]		
- Stock-In-Trade	137.45	177.23
	<b>138.01</b>	<b>179.14</b>
Opening Stock		
- Finished Goods (Including in Transit)	1.91	4.95
[Including excise duty of ₹ Nil Crores (2015 - ₹ 0.19 Crores)]		
- Stock-In-Trade	177.23	343.42
- Work-In-Progress	-	0.02
	<b>179.14</b>	<b>348.39</b>
<b>(Increase)/Decrease in inventories of finished goods, work-in-progress and stock-in-trade</b>	<b>41.13</b>	<b>169.25</b>
<b>23- Other direct expense</b>		
Purchase of Services	228.16	307.42
Spares and Stores Consumed	173.92	250.29
Power and Fuel	-	0.34
Labour and Processing Charges	0.55	2.02
Royalty	-	0.24
<b>TOTAL</b>	<b>402.63</b>	<b>560.31</b>

# Notes

to the Consolidated Financial Statements

	Nine Months Period 31.03.2016 ₹/Crores	Year ended 30.06.2015 ₹/Crores
<b>24- Employee benefits expense (Refer Note 36)</b>		
Salaries, Wages, Bonus and Gratuity	438.92	549.10
Contribution to Provident and Other Funds	19.19	24.86
Staff Welfare Expenses	5.53	8.22
<b>TOTAL</b>	<b>463.64</b>	<b>582.18</b>
<b>25- Finance costs</b>		
Interest on Long-term and Short-term Borrowings	104.55	122.34
Other Borrowing Costs	14.12	20.44
<b>TOTAL</b>	<b>118.67</b>	<b>142.78</b>
<b>26 - Other expenses</b>		
Rent (Refer Note 33(c)(ii))	33.23	41.05
Rates and Taxes	6.20	10.75
Printing and Stationery	2.16	3.29
Communication	13.85	15.16
Travelling and Conveyance	34.40	42.45
Packing, Freight and Forwarding	15.76	29.12
Legal, Professional and Consultancy Charges	37.33	35.16
Retainership Expenses	30.36	40.05
Training and Conference	1.39	2.04
Office Electricity and Water	7.76	11.95
Insurance	7.21	9.67
Advertisement, Publicity and Entertainment	3.07	6.64
Hire Charges	4.73	4.59
Commission on Sales	3.21	0.63
Bank Charges	14.76	11.80
Provision for Doubtful Debts	29.37	86.09
Provision for Doubtful Loans and Advances	8.73	12.19
Loss on Sale of Fixed Assets	-	0.18
Fixed Assets and Capital Work-In-Progress Written-Off	1.15	9.31
Repairs		
- Plant and Machinery	0.97	1.96
- Buildings	1.35	0.46
- Others	7.45	13.15
Miscellaneous	20.24	37.48
<b>TOTAL</b>	<b>284.68</b>	<b>425.17</b>

# Notes

to the Consolidated Financial Statements

**27. Exceptional items include :**

(₹/Crores)

Particulars	2016	2015
a. Profit on sale of properties	2.78	13.91
b. Profit on sale of Subsidiary	–	19.63
c. Inventory write off due to phasing out of a product line.	–	(4.60)
d. Impairment of Goodwill (Refer Note 38)	(70.00)	–
<b>Total</b>	<b>(67.22)</b>	<b>28.94</b>

**28.** Estimated value of contracts on capital account, excluding capital advances, remaining to be executed and not provided for amount to ₹ 4.12 Crores (2015 - ₹ 6.97 Crores).

**29. a) Contingent Liabilities:**

Claims against the Group not acknowledged as debts:

	2016 ₹/Crores	2015 ₹/Crores
Sales Tax*	313.80	151.86
Excise*	96.68	96.72
Income Tax*	6.24	5.44
Industrial Disputes, Civil Suits and Consumer Disputes	95.07	86.38

\* Includes sum of ₹ 89.58 Crores (2015 - ₹ 24.53 Crores) deposited by the Group against the above.

The amounts shown in item (a) represents the best possible estimates arrived at on the basis of available information. The uncertainties and possible reimbursements are dependent on the out come of the different legal processes which have been initiated by the Group or the claimants as the case may be and therefore cannot be predicted accurately. It is not practicable for the Company to estimate the timing of cash outflows, if any, in respect of the above pending resolution of the respective proceedings.

**29. b) Other Litigation**

- The Company has been named in a supplementary charge sheet filed with the Court with respect to a Contract awarded to the Company in 2009 by the UP state Government, amounting to ₹ 4.94 Crores, for the supply of computer hardware and related services under the National Rural Health Mission and therefore summons have been issued by the Court. The Company has challenged the jurisdiction and the matter is currently pending for adjudication before the Supreme Court. The management is of the view that the company has not been engaged in any wrong doing.
- The Company has certain Sales tax and other litigation of ₹ 15.61 Crores (2015 - ₹ 12.65 Crores), against which provisions have been made. Provision of ₹ 3.03 Crores is made during the year and ₹ 0.07 Crores utilised during the year.

**30. The Group has the following provision for warranty in the books of accounts:**

	2016 ₹/Crores	2015 ₹/Crores
Opening Balance as on July 1	2.12	4.54
Additions during the year	–	2.10
Utilised/Reversed during the year	2.12	4.52
Closing Balance as on March 31 / June 30	–	2.12

The warranty provision has been recognised for expected warranty claims for the first year of warranty on products sold during the year. Due to the very nature of such costs, Outflows of economic benefits against this provision is expected to happen with in one year.

# Notes to the Consolidated Financial Statements

## 31. Taxation

- a) Provision for taxation has been computed by applying the Income Tax Act, 1961 and other relevant tax regulations in the jurisdiction where the Group conducts the business to the profit for the period. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relates to the same taxable entity and the same taxation authority.

- b) Deferred Tax:

Major components of Deferred tax arising on account of timing difference along with their movement as at March 31, 2016 are:

	As at 01.07.15	Movement during the year	As at 31.03.16
₹/Crores			
<b>Deferred Tax Assets</b>			
Taxable losses and unabsorbed tax depreciation allowable in future years	0.43	0.06	<b>0.37</b>
<b>Total</b>	<b>0.43</b>	<b>0.06</b>	<b>0.37</b>
<b>Deferred Tax Liabilities</b>			
Difference between WDV of fixed assets as per books and under Income tax Act, 1961	0.93	0.20	<b>0.73</b>
<b>Total</b>	<b>0.93</b>	<b>0.20</b>	<b>0.73</b>

₹ 0.06 Crores includes ₹ 0.12 Crores transferred to 'loans and advances' and ₹ 0.06 Crores adjusted through deferred tax credit in the Statement of Consolidated Profit and Loss.

## 32. Employee Stock Option Plan (ESOP):

The Company has established Employee Stock Option Scheme 2000 and Employee Stock Based Compensation Plan 2005, for which a total grant of 31,90,200 and 33,35,487 options have been set aside respectively for the employees of the Company and its subsidiaries. These options vest on a graded basis over a period of 42 and 60 months respectively from the date of grant and are to be exercised within a maximum period of 5 years from the date of vesting.

The Board of Directors/Committee approves the grant of options, including the grant of options that lapse out of each grant.

Each option of ₹ 10/- confers on the employee a right to five equity shares of ₹ 2/- each.

Exercise price is market price as specified in the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 1999 issued by the Securities and Exchange Board of India ("SEBI").

### Details of Grants made under Employee Stock Option Scheme 2000

Date of Grant	Exercise price of the option for five equity shares of ₹ 2/- each	Options outstanding at the beginning of the year	Options granted during the year	Options forfeited during the year	Options exercised during the year	Options expired during the year	Options outstanding at the end of the year	Options exercisable at the end of the year
15-Mar-07	648.75	49,200	—	—	—	49,200	—	—
		(52,800)	(—)	(—)	(—)	(3,600)	(49,200)	(49,200)
23-Jan-08	898.25	7,598	—	—	—	3,427	4,171	4,171
		(17,232)	(—)	(—)	(—)	(9,634)	(7,598)	(7,598)
18-Aug-09	627.25	—	—	—	—	—	—	—
		(20,000)	(—)	(—)	(—)	(20,000)	(—)	(—)
26-Oct-10	586.75	—	—	—	—	—	—	—
		(60,000)	(—)	(—)	(—)	(60,000)	(—)	(—)
30-Jan-12	233.25	6,000	—	—	—	6,000	—	—
		(6,000)	(—)	(—)	(—)	(—)	(6,000)	(3,600)
09-Sep-13	132.00	7,000	—	—	3,000	—	4,000	—
		(10,000)	(—)	(—)	(3,000)	(—)	(7,000)	(—)
18-Sep-2014	380	15,000	0	12,000	0	3,000	0	0
		(—)	(15,000)	(—)	(—)	(—)	(15,000)	(—)

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# Notes to the Consolidated Financial Statements

contd...

Date of Grant	Exercise price of the option for five equity shares of ₹ 2/- each	Options outstanding at the beginning of the year	Options granted during the year	Options forfeited during the year	Options exercised during the year	Options expired during the year	Options outstanding at the end of the year	Options exercisable at the end of the year
21-Nov-2014	363.75	10000	0	0	0	0	10000	3000
		(-)	(10000)	(-)	(-)	(-)	(10000)	(-)
<b>Total</b>		<b>94,798</b>	<b>0</b>	<b>12,000</b>	<b>3,000</b>	<b>61,627</b>	<b>18,171</b>	<b>7,171</b>
		(166032)	(25000)	0	(3000)	(93234)	(94798)	(60398)

Note: Previous year's figures are given in brackets.

## Details of Grants made under Employee Stock Based Compensation Plan 2005

Date of Grant	Exercise price of the option for five equity shares of ₹ 2/- each	Options outstanding at the beginning of the year	Options granted during the year	Options forfeited during the year	Options exercised during the year	Options expired during the year	Options outstanding at the end of the year	Options exercisable at the end of the year
13-Aug-05	1144.00	1,88,698	-	-	-	1,88,698	-	-
		(4,48,776)	(-)	(-)	(-)	(2,60,078)	(1,88,698)	(1,88,698)
19-Oct-05	1157.50	3,198	-	-	-	3,198	-	-
		(7,336)	(-)	(-)	(-)	(4,138)	(3,198)	(3,198)
15-Nov-05	1267.75	1,070	-	-	-	1,070	-	-
		(2,580)	(-)	(-)	(-)	(1,510)	(1,070)	(1,070)
15-Dec-05	1348.25	470	-	-	-	470	-	-
		(1,540)	(-)	(-)	(-)	(1,070)	(470)	(470)
14-Jan-06	1300.00	340	-	-	-	340	-	-
		(680)	(-)	(-)	(-)	(340)	(340)	(340)
15-Feb-06	1308.00	280	-	-	-	280	-	-
		(560)	(-)	(-)	(-)	(280)	(280)	(280)
16-Mar-06	1031.00	690	-	-	-	690	-	-
		(1,680)	(-)	(-)	(-)	(990)	(690)	(690)
17-Apr-06	868.75	160	-	-	-	-	160	160
		(320)	(-)	(-)	(-)	(160)	(160)	(160)
15-May-06	842.50	810	-	-	-	-	810	810
		(2,020)	(-)	(-)	(-)	(1,210)	(810)	(810)
15-Jun-06	620.50	860	-	-	-	320	540	540
		(1,720)	(-)	(-)	(-)	(860)	(860)	(860)
17-Jul-06	673.75	620	-	-	-	310	310	310
		(2,250)	(-)	(-)	(-)	(1,630)	(620)	(620)
15-Mar-07	648.75	78,840	-	-	-	43,660	35,180	35,180
		(1,42,440)	(-)	(-)	(-)	(63,600)	(78,840)	(78,840)
23-Jan-08	898.25	18,585	-	-	-	8,625	9,960	9,960
		(42,720)	(-)	(-)	(-)	(24,135)	(18,585)	(18,585)
16-Aug-11	375.00	-	-	-	-	-	-	-
		(18,000)	(-)	(4000)	(-)	(14000)	-	-
17-Aug-11	375.00	7,000	-	-	-	-	7,000	5,600
		(7000)	(-)	(-)	(-)	(-)	(7,000)	(4200)
30-Jan-13	186.00	20000	-	-	-	-	20,000	12,000
		(20000)	(-)	(-)	(-)	(-)	(20000)	(8000)
10-May-13	187.00	-	-	-	-	-	-	-
		(10000)	(-)	(8000)	(2000)	(-)	(-)	(-)
<b>Total</b>		<b>3,21,621</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,47,661</b>	<b>73,960</b>	<b>64,560</b>
		(7,09,622)	(-)	(12,000)	(2,000)	(3,74,001)	(3,21,621)	(3,06,821)

Note: Previous year's figures are given in brackets.

# Notes to the Consolidated Financial Statements

## Assumptions

The fair value of each stock option granted under Employee Stock Option Scheme 2000 and Employee Stock Based Compensation Plan 2005 as on the date of grant has been computed using Black-Scholes Option Pricing Formula and the model inputs are given as under:

	Employee Stock Option Scheme 2000	Employee Stock Based Compensation Plan 2005
Volatility	31% to 68%	31% to 65%
Risk free rate	7.06% to 7.69%	7.06% to 7.77%
Exercise Price	₹ 132.00 to ₹ 1,271.25	₹ 178.00 to ₹ 1,348.25
Time to Maturity (years)	2.20 to 5.50	2.50 to 7.00
Dividend Yield	0% to 32%	0% to 37%
Life of options	8.5 Years	10 Years
Fair Value of options as at the grant date	₹ 1.69 to ₹ 196.18	₹ 0.00 to ₹ 268.16

Notes:

1. Volatility: Based on historical volatility in the share price movement of the Company.
2. Risk Free Rate: Being the interest rate applicable for maturity equal to the expected life of options based on yield curve for Government Securities.
3. Time to Maturity: Vesting period and volatility of the underlying equity shares have been considered for estimation.
4. Dividend Yield: Based on historical dividend payouts.

The impact on the profit of the Group for the year ended March 31, 2016 and the basic and diluted earnings per share had the Group followed the fair value method of accounting for stock options is set out below:

## Proforma Disclosures

	2016 ₹/Crores	2015 ₹/Crores
Profit/(Loss) after tax as per Statement of Profit and Loss [Net of Minority Interest] (a)	(254.44)	(184.71)
Less: Employee Stock Compensation Expense as per Fair Value Method	0.09	0.12
Profit/(Loss) after tax recomputed for recognition of employee stock compensation expense under fair value method (b)*	(254.53)	(184.83)
Earning/(Loss) Per Share based on earnings as per (a) above: (Refer Note 34)		
- Basic	(₹ 11.41)	(₹ 8.29)
- Diluted	(₹ 11.41)	(₹ 8.29)
Earning/(Loss) Per Share had fair value method been employed for accounting of employee stock options:		
- Basic	(₹ 11.42)	(₹ 8.29)
- Diluted	(₹ 11.42)	(₹ 8.29)

\* Excludes impact on tax expense of employee stock compensation expense.

# Notes to the Consolidated Financial Statements

## 33. Leases:

### a) Finance Leases:

#### As Lessor:

- (i) The Group has given on finance lease certain assets/inventories which comprise of computers, radio terminals and office equipments, etc. These leases have a primary period, which is fixed and non-cancelable. There are no exceptional/restrictive covenants in the lease agreements.
- (ii) The gross investment in the assets given on finance leases as at March 31, 2016 and its present value as at that date are as follows:

	Total minimum lease receivable ₹/Crores	Interest included in minimum lease receivable ₹/Crores	Present value of minimum lease receivable ₹/Crores
Not later than one year	<b>112.86</b> (125.20)	<b>14.78</b> (23.55)	<b>98.08</b> (101.65)
Later than one year and not later than five years	<b>92.64</b> (171.70)	<b>6.43</b> (18.49)	<b>86.21</b> (153.21)
<b>Total</b>	<b>205.50</b> (296.90)	<b>21.21</b> (42.04)	<b>184.29</b> (254.86)

Note: Previous year's figures are given in brackets.

### b) Sale and Leaseback and further sub-lease on finance lease basis

- (i) The Group has entered into transaction of sale and leaseback on finance lease basis and further sub-lease on finance lease basis for certain assets/inventories which comprise of computer systems and other related products. These leases have a primary period, which is fixed and non-cancelable. There are no exceptional/restrictive covenants in these lease agreements.
- (ii) Details of minimum lease payments and minimum sub-lease receivables as at March 31, 2016 and its present value as at that date are as follows:

	Payable on sale and leaseback			Receivable on sub-lease		
	Total minimum lease payable ₹/Crores	Interest included in minimum lease payable ₹/Crores	Present value of minimum lease payable ₹/Crores	Total minimum lease receivable ₹/Crores	Interest included in minimum lease receivable ₹/Crores	Present value of minimum lease receivable ₹/Crores
Not later than one year	<b>4.02</b> (5.35)	<b>0.68</b> (1.17)	<b>3.34</b> (4.18)	<b>3.43</b> (5.74)	<b>0.66</b> (0.82)	<b>2.77</b> (4.92)
Later than one year and not later than five years	<b>3.62</b> (7.10)	<b>0.28</b> (0.83)	<b>3.34</b> (6.27)	<b>3.66</b> (6.16)	<b>0.29</b> (0.85)	<b>3.37</b> (5.31)
<b>Total</b>	<b>7.64</b> (12.45)	<b>0.96</b> (2.00)	<b>6.68</b> (10.45)	<b>7.09</b> (11.90)	<b>0.95</b> (1.67)	<b>6.14</b> (10.23)

Note: Previous year's figures are given in brackets.

# Notes to the Consolidated Financial Statements

## c) Sale and Leaseback

### As Lessee:

	Total minimum lease payable ₹/Crores	Interest included in minimum lease payable ₹/Crores	Present value of minimum lease payable ₹/Crores
Not later than one year	<b>1.41</b> (3.87)	<b>0.42</b> (0.60)	<b>0.99</b> (3.27)
Later than one year and not later than five years	<b>3.22</b> (4.28)	<b>0.46</b> (0.76)	<b>2.76</b> (3.52)
<b>Total</b>	<b>4.63</b> (8.15)	<b>0.88</b> (1.36)	<b>3.75</b> (6.79)

## d) Cancelable Operating Leases

### As Lessee:

- (i) The Group has taken various residential/commercial premises under cancelable operating leases. These leases are for a period of eleven months to three years and are normally renewable on expiry.
- (ii) The rental expense in respect of operating leases is ₹ 33.23 Crores (2015 - ₹ 41.05 Crores) which is disclosed as Rent expense under 'Other expenses'.

### As Lessor:

Particulars	Gross Block	Accumulated Depreciation	Net Block	Depreciation Expense
Freehold Land	1.87 (1.01)	– (–)	1.87 (1.01)	– (–)
Building	16.98 (4.57)	3.68 (2.27)	13.30 (2.30)	0.19 (0.04)
Plant and Machinery	36.06 (33.49)	21.41 (16.08)	14.65 (17.41)	5.16 (7.07)
Furniture and Fixtures & Office Equipments	5.43 (–)	0.92 (–)	4.51 (–)	0.67 (–)
Computers	0.27 (–)	0.13 (–)	0.14 (–)	0.04 (–)
<b>TOTAL</b>	<b>60.61</b> (39.07)	<b>26.14</b> (18.35)	<b>34.47</b> (20.72)	<b>6.06</b> (7.11)

Note: Previous year's figures are given in brackets.

## e) Non-Cancelable Operating Leases

### As Lessee:

The Group has taken Commercial Premises on non-cancelable operating leases the future minimum lease payments in respect of which are:

	2016 ₹/Crores	2015 ₹/Crores
Not later than one year	<b>1.43</b>	1.55
Later than one year and not later than five years	<b>1.10</b>	2.18
<b>Total</b>	<b>2.53</b>	3.73

# Notes to the Consolidated Financial Statements

## 34. Earnings per share (EPS)

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The earnings considered in ascertaining the Group's EPS represent profit/(loss) for the year after tax. Diluted EPS is computed and disclosed using the weighted average number of equity and dilutive equivalent shares outstanding during the year except when results would be anti-dilutive.

Calculation of EPS:

Particulars	2016 ₹/Crores	2015 ₹/Crores
(Loss) after tax (₹/Crores)	(254.44)	(184.70)
<b>Weighted average number of shares considered as outstanding in computation of Basic EPS</b>	<b>22,29,13,520</b>	22,28,93,163
<b>Weighted average number of shares outstanding in computation of Diluted EPS</b>	<b>22,29,13,520</b>	22,28,93,163
Basic EPS (of ₹ 2/- each)	(₹ 11.41)	(₹ 8.29)
Diluted EPS (of ₹ 2/- each)	(₹ 11.41)	(₹ 8.29)

## 35. Segment Reporting

The nature and the business of primary Segments are as below:

- Hardware Products & Solution business comprise of sale of IT products & solutions to enterprise and government customers
- The Services business provides IT infrastructure managed services, multi vendor technical support, break-fix services, cloud services, enterprise application services, software development & support services, office automation maintenance services, managed print services and telecom & consumer electronics support services.
- Learning business includes rendering training services and sale of educational digital content and related Hardware offerings for private schools, colleges and other education institutes and vocational training.
- The distribution segment consist of distribution of (a) Consumer Products including telecommunication, digital lifestyle products and consumer electronic & home appliances (b) Enterprise products including IT products, Enterprise software and Office Automation products.

Details of secondary segments are not disclosed as more than 90% of the Company's revenues, results and assets relate to the domestic material

### Consolidated Segment wise performance for the year ended Mar 31, 2016

₹/Crores

Primary Segments	Hardware Products & Solutions	Services	Distribution	Learning	Inter- segment Elimination	Total
<b>(i) Revenue</b>						
External Revenue	409.57 (956.27)	719.00 (893.13)	2572.92 (4317.05)	16.48 (28.43)		3717.97 (6194.88)
Inter-segment Revenue	9.46 (1.30)	38.73 (55.42)	36.20 (56.44)	0.03 (4.63)	-84.42 (-117.79)	0.00 (0.00)
<b>Total Gross Revenue</b>	<b>419.04</b> (957.57)	<b>757.72</b> (948.55)	<b>2609.12</b> (4373.49)	<b>16.51</b> (33.06)	<b>-84.42</b> (-117.79)	<b>3717.97</b> (6194.88)
Less: Excise Duty	0.01	0.11				0.12 (0.00)
<b>Total Net Revenue</b>	<b>409.56</b> (956.27)	<b>718.89</b> (893.13)	<b>2572.92</b> (4317.05)	<b>16.48</b> (28.43)		<b>3717.85</b> (6194.88)
<b>(ii) Results</b>	<b>-31.41</b> (-105.23)	<b>-22.59</b> (-10.15)	<b>24.40</b> (74.35)	<b>-21.91</b> (-29.34)		<b>-51.54</b> (-70.37)
Less: Unallocable Expenditure						57.61 (49.95)

# Notes

to the Consolidated Financial Statements

Primary Segments	Hardware Products & Solutions	Services	Distribution	Learning	Inter- segment Elimination	Total
Operating Profit						<b>-109.12</b> (-120.32)
Add: Other Income (Excluding Operational Income)						<b>41.90</b> (60.57)
Less: Finance Charges						<b>118.67</b> (142.78)
<b>Profit/(Loss) before excep- tional and extraordinary items and tax</b>						<b>-185.92</b> (-202.53)
Exceptional items						<b>67.22</b> (-28.94)
<b>Profit/(Loss) before tax</b>						<b>-253.14</b> (-173.59)
Less: Tax Expense						<b>1.30</b> (11.12)
<b>Profit After Tax</b>						<b>-254.44</b> (-184.71)
<b>(iii) Segment Assets</b>	<b>1421.68</b> (1594.03)	<b>441.22</b> (474.93)	<b>495.94</b> (465.22)	<b>43.24</b> (39.32)		<b>2402.08</b> (2573.50)
Unallocated Corporate Assets						
a) Liquid Assets						<b>51.08</b> (269.67)
b) Others						<b>1067.32</b> (1103.83)
<b>Total Assets</b>						<b>3520.48</b> (3947.00)
<b>(iv) Segment Liabilities</b>	<b>434.84</b> (665.78)	<b>215.63</b> (255.62)	<b>470.76</b> (425.79)	<b>21.76</b> (22.97)		<b>1,142.49</b> (1,370.16)
Unallocated Corporate Liabilities						<b>66.50</b> (68.09)
<b>Total Liabilities</b>						<b>1208.99</b> (1438.25)
<b>(v) Capital Expenditure (allocable)</b>	<b>3.37</b> (5.43)	<b>6.50</b> (13.54)	<b>0.93</b> (1.35)	<b>0.23</b> (0.52)		<b>11.03</b> (20.84)
<b>Capital Expenditure (unallocable)</b>						<b>14.54</b> (2.09)
<b>(vi) Depreciation</b>	<b>9.25</b> (14.63)	<b>13.27</b> (23.84)	<b>0.59</b> (0.79)	<b>6.04</b> (8.07)		<b>29.15</b> (47.32)
<b>Depreciation (unallocable)</b>						<b>2.83</b> (4.58)
<b>(vii) Other Non Cash Expenses (allocable)</b>	<b>16.25</b> (70.46)	<b>9.97</b> (19.41)	<b>5.04</b> (2.13)	<b>6.97</b> (13.67)		<b>38.23</b> (105.66)
<b>Other Non Cash Expenses (unallocable)</b>						<b>1.02</b> (2.19)

Note: Previous year's figures are given in brackets.

Segment Results Include ₹ 15.71 crores (2015 - ₹ 3.75 crores) of certain operating other income which is included in 'Other income' in statement of profit and loss.



# Notes

to the Consolidated Financial Statements

## 36. The Group has calculated the various benefits provided to employees as under:

### (a) Defined Contribution

During the year, the Group has recognised the following amounts in the Statement of Profit and Loss:

	2016 ₹/Crores	2015 ₹/Crores
Employers Contribution to Superannuation Fund*	0.79	1.47
Employers Contribution to National Pension Scheme*	0.08	-
Employers contribution to Employee State Insurance*	2.52	3.47
Employers contribution to Employee's Pension Scheme 1995*	11.10	12.81

\* Included in Contribution to Provident and Other Funds under Employee benefits expense (Refer Note 24).

### (c) Defined Benefit

#### (i) Gratuity

#### (ii) Provident Fund#

The Company contributes to the employee provident fund trust "Hindustan Computers Limited Employees Provident Fund Trust" which is managed by the Company. The Company's Provident Fund Trust is exempted under Section 17 of Employees' Provident Fund Act, 1952. Conditions for grant of exemptions stipulate that the employer shall make good deficiency, if any, in the interest rate declared by the trust vis-à-vis statutory rate. As per guidance note on AS – 15, Employee Benefits (Revised 2005), provident funds set up by employers, which requires interest shortfall to be met by the employer, needs to be treated as defined benefit plan.

The Trust includes employees of the Company as well as of its Indian wholly owned subsidiaries and of HCL Corporation Private Limited, a related party. In view of the same, it is a multi employer defined benefit plan.

The Trust has been investing the Provident fund contributions of the employees of all the six companies in a composite manner and the same cannot be separately identified entity wise.

In view of the same an actuarial valuation, in accordance with the AS-15 (Revised), was carried out at composite level. As per actuarial certificate there is no shortfall in the earning of fund against statutorily required "interest rate guarantee" and accordingly, the "liability on account of interest rate guarantee" is nil.

In accordance with Accounting Standard 15 (revised 2005), an actuarial valuation was carried out in the respect of the aforesaid defined benefit plan based on the following assumptions:

	Gratuity		Provident Fund	
	2016	2015	2016	2015
Discount rate (per annum)	7.44%	8.00%	Not Applicable	Not Applicable
Rate of increase in compensation levels	6.00%	6.00%	Not Applicable	Not Applicable
Rate of return on plan assets	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Expected statutory interest rate	Not Applicable	Not Applicable	8.80%	8.75%
Expected short fall in interest earnings	Not Applicable	Not Applicable	0.05%	0.05%
Expected average remaining working lives of employees (years)	19.20	19.74	19.20	19.74

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

# Notes to the Consolidated Financial Statements

₹/Crores

	2016		2015	
	Gratuity	Provident Fund	Gratuity	Provident Fund
<b>Reconciliation of opening and closing balances of the present value of the defined benefit obligation:</b>				
Present value of obligation at the beginning of the year	20.10	167.44	22.07	169.36
Current service cost	2.77	6.80	0.91	7.11
Past service cost		–		–
Interest cost	1.04	13.40	1.32	13.55
Actuarial (gain)/loss	(0.08)	(1.46)	3.77	(9.11)
Benefits (paid)	(3.71)	(31.78)	(7.97)	(36.07)
Settlements/transfer In	–	9.34	–	5.23
Contribution by plan participants	–	18.48	–	17.37
Present value of obligation at the end of the year	20.12	182.22	20.10	167.44

₹/Crores

	2016	2015
	Provident Fund	Provident Fund
<b>Reconciliation of opening and closing fair value of plan assets:</b>		
Fair value of plan assets at the beginning of the year	177.69	169.62
Expected Return on Plan Assets	15.64	14.84
Employer Contribution	6.80	7.11
Settlements/Transfer In	9.34	5.23
Employee Contribution	18.48	17.37
Benefit Paid	(31.78)	(36.07)
Actuarial gain/(loss) on Plan Assets	(0.55)	(0.41)
Fair value of plan assets at the end of the year	195.62	177.69

	2016		2015	
	Gratuity	Provident Fund	Gratuity	Provident Fund
<b>Cost recognised for the year:</b>				
Current service cost	2.77	–	0.91	–
Company contribution to Provident Fund	–	6.80	–	7.11
Past service cost	–	–	–	–
Interest cost	1.04	–	1.32	–
Actuarial (gain)/loss	(0.08)	–	3.77	–
Interest guarantee liability	–	–	–	–
Shortfall in fund	–	–	–	–
Net cost recognised for the year*	3.73	6.80 @	6.00	7.11

\* Included in Salaries, Wages, Bonus and Gratuity for Gratuity and Contribution to Provident and Other Funds for Provident Fund under Employee benefits expense (Refer Note 24).

@ The Group contribution to the Provident Fund for the year is ₹ 4.70 Crores and the remaining relates to other related companies as mentioned above

# In the absence of the relevant information from the Actuary, the above details do not include the composition of Plan assets.

# Notes to the Consolidated Financial Statements

**Reconciliation of the present value of the defined benefit obligation:**

(₹/Crores)

	Gratuity				
	2016	2015	2014	2013	2012
Present value of the obligation as at the end of the year	20.12	20.10	19.84	22.07	22.81
Fair value of plan assets at the end of the year	–	–	–	–	–
Assets/(Liabilities) recognised in the Balance Sheet	(20.12)	(20.10)	(19.84)	(22.07)	(22.81)
Experience adjustment in plan liabilities	0.60	(3.19)	(0.84)	0.16	0.03
Experience adjustment in plan assets	–	–	–	–	–
	Provident Fund				
	2016	2015	2014	2013	2012
Present value of the obligation as at the end of the year	(182.22)	(167.44)	(169.36)	(152.84)	(140.49)
Fair value of plan assets at the end of the year	195.62	178.10	169.62	152.85	141.86
Assets/(Liabilities) recognised in the Balance Sheet	–**	–**	–**	–**	–**
Expected Contribution to the Provident fund in the next year	7.34	7.82			

\*\* As there is surplus, the same has not been recognised in Balance Sheet.

37. The Company remits the dividends to its non resident shareholders in Indian Rupees.

38. In respect to Learning Business, the company in the current period has recognized an impairment charge of ₹ 70 Cr on account of write down of part of the goodwill, which was recognized in the prior years during the process of restructuring of the Company.

This write down has no impact on cash flows and brought about due to modification in the current business model and changes in the overall business environment for the segment.

Recoverable value of business has been calculated based on value in use and discounting rate used for the 'value in use' calculation is based on the pre tax risk adjusted weighted average cost of capital and is 12%-18%.

39. The results of HCL Infosystems South Africa Pty. Limited, HCL Touch Inc. and Nokia HCL Mobile Internet Services Limited, a joint venture with Nokia Corporation, Finland have been taken on the basis of unaudited financial statements for the nine months ended March 31, 2016. It is unlikely that the audited results would be materially different from the unaudited results.

40	Contracts-in-progress	As at March 31, 2016 (₹/Crores)	As at June 30, 2015 (₹/Crores)
	Revenue from Composite Contracts recognised for the period	297.38	708.96
	Aggregate amount of contract costs incurred and recognised profits (less recognised losses) for all contracts in progress upto the period ended	4,879.23	4,604.94
	The amount of advances received	30.62	34.18
	Gross amount due from customers for contracts-in-progress	917.19	1,193.08
	Gross amount due to customers for contracts-in-progress	224.43	261.12

**41. Disclosure of related parties and related party transactions:**
**a) Company having substantial interest:**

HCL Corporation Private Limited

**b) Others (Enterprises over which, individual having indirect significant influence over the company, has significant influence) and with whom transactions have taken place during the year and/or where balances exist:**

HCL Technologies Limited

# Notes to the Consolidated Financial Statements

HCL Comnet Limited

HCL Comnet Systems and Services Limited

HCL Avitas Private Limited

HCL Training & Staffing Services Private Limited

HCL Talent Care Private Limited

HCL IT City Lucknow Private Limited

SSN Trust

Shiv Nadar Foundation

Shiv Nadar University

Vama Sundari Investments (Pondi) Private Limited

Statestreet HCL Services India Limited

RMA Software Park Private Limited (Ceased with effect from September 24, 2014)

## c) Key Management Personnel:

Mr. Biswanath Bhattacharya (Chief Executive with effect from November 3, 2014)

Mr. Premkumar Sheshadri\* (Executive Vice Chairman & Managing Director)

Mr. SG Murali (Group CFO with effect from April 1, 2015)

Mr. Sushil Jain (Company Secretary)

Mr. Sandeep Kanwar (Resigned as CFO with effect from March 31, 2015)

Mr. Harshavardhan Madhav Chitale (Resigned as director with effect from December 31, 2014.)

\*Remuneration has been paid by HCL Corporation Private Limited

Note: Parties with whom transactions are more than 10% of the total value have been disclosed separately.

## d) Summary of Consolidated Related Party disclosures:

Note: All transactions with related parties have been entered into in the normal course of business.

(₹/Crores)

A. Transactions	Company having substantial interest		Others		Key Management Personnel		Total	
	Mar-16	Jun-15	Mar-16	Jun-15	Mar-16	Jun-15	Mar-16	Jun-15
<b>Sales and Related Income</b>	–	0.19	<b>8.48</b>	14.20			<b>8.48</b>	14.39
– HCL Technologies Limited			4.83	11.87				
– HCL Comnet Limited			–	0.03				
– HCL Talent Care Private Limited			2.66	1.43				
– Shiv Nadar Foundation			0.95	–				
<b>Services</b>	<b>0.01</b>	0.02	<b>10.86</b>	9.08			<b>10.87</b>	9.10
– HCL Technologies Limited			9.11	8.27				
– HCL Talent Care Private Limited			0.39	–				
– HCL Comnet Limited			0.24	0.30				
– HCL Training & Staffing Services Private Limited			1.11	–				

# Notes to the Consolidated Financial Statements

(₹/Crores)

A. Transactions	Company having substantial interest		Others		Key Management Personnel		Total	
	Mar-16	Jun-15	Mar-16	Jun-15	Mar-16	Jun-15	Mar-16	Jun-15
<b>Purchase of Services</b>			<b>9.97</b>	6.92			<b>9.97</b>	6.92
– HCL Technologies Limited			9.97	6.92				
<b>Purchase of Goods</b>			–	166.91			–	166.91
– HCL Technologies Limited			–	157.85				
– HCL Comnet Limited			–	9.06				
<b>Sale of Subsidiary</b>			–	40.74				40.74
– Vama Sundari Investments (Pondi) Private Limited			–	40.74				
<b>Loans and Advances Refunded/Adjusted</b>			–	37.62			–	37.62
– RMA Software Park Private Limited			–	37.62				
<b>Security Deposit Received</b>			–	4.81			–	4.81
– HCL Talent Care Private Limited			–	4.81				
<b>Rent Received</b>			<b>6.01</b>	1.48			<b>6.01</b>	1.48
– HCL Technologies Limited			1.63	1.48				
– HCL Talent Care Private Limited			4.38	–				
<b>Remuneration</b>					<b>1.72</b>	3.31	<b>1.72</b>	3.31
– Mr. S.G. Murali					<b>1.43</b>	0.47		
– Mr. Sushil Jain					<b>0.30</b>	0.45		
– Mr. Harsh Chitale					–	1.15		
– Mr. Sandeep Kanwar					–	1.24		
<b>Reimbursements towards expenditure</b>								
<b>a) Received</b>			–	2.25			–	2.25
– HCL Technologies Limited			–	2.25				
<b>B. Amount due to/from related parties</b>								
Trade Receivables	–	0.04	<b>9.86</b>	16.41			<b>9.86</b>	16.45
Other Recoverables	–	–	–	0.11			–	0.11
Trade Payables	–	0.05	<b>51.55</b>	152.53			<b>51.55</b>	152.58
Other Payables			<b>4.81</b>	4.81			<b>4.81</b>	4.81

## 42. a) Derivative Instruments outstanding at the Balance Sheet date:

The Group has following outstanding derivative as at the reporting date:

Particulars	Foreign Currency		Average Rate		Maximum Maturity Period	
	Value / Crores					
	2016	2015	2016	2015	2016	2015
Forward Contracts to buy USD	<b>\$0.79</b>	\$0.76	<b>68.72</b>	65.45	<b>8 Months</b>	8 Months

The above derivatives have been undertaken to hedge the foreign currency exposures on Import as at March 31, 2016.

# Notes

to the Consolidated Financial Statements

- b) As on March 31, 2016, the foreign currency exposure that is not hedged by a derivative instrument or otherwise in respect of Trade Payables are ₹ 23.54 Crores (2015 - ₹ 21.13 Crores) and in respect of Trade Receivables are ₹ 9.88 Crores (2015 - ₹ 12.54 Crores).
- c) Mark-to-Market Losses provided for March 31, 2016 of ₹ Nil Crores (2015 - ₹ 0.03 Crores).
- d) The unaccrued forward exchange cover as on March 31, 2016 of ₹ 0.87 Crores (2015 - ₹ 0.79 Crores) has been included under 'Other current assets' and as 'Unamortised Premium on Forwards Contracts'.
- e) Pursuant to notification u/s 211(3C) of the Companies Act, 1956 issued by the Ministry of Corporate Affairs on December 29, 2011, the Company has opted to accumulate the exchange difference arising on translation of foreign currency items having a term of 12 months or more and amortise such exchange difference over the period of the item. Accordingly, a gain of ₹ Nil Crores (2015 - gain of ₹ 0.01 Crores) stands deferred as at March 31, 2016.

## 43. The Group has an interest in the following jointly controlled entity:

Name of the Company	Shareholding	Incorporated in
Nokia HCL Mobile Internet Services Limited	49%	India

The aggregate amounts of assets, liabilities, income and expenditure to the extent of the interest of the Group in the above jointly controlled entities are given hereunder:

Particulars	(₹/Crores)	
	Nine Months ended March 31, 2016	Year ended June 30, 2015
Revenue from operations	0.08	0.16
Other income	0.00	(0.03)
<b>Total</b>	<b>0.08</b>	<b>0.13</b>
Changes in inventories of finished goods, work-in-progress and stock-in-trade	0.12	0.23
Other expenses	0.01	0.03
<b>Total</b>	<b>0.13</b>	<b>0.26</b>
Profit/(Loss) before tax	(0.05)	(0.13)

Particulars	As at	
	Nine Months ended March 31, 2016	June 30, 2015
<b>Liabilities</b>		
Trade payables	0.86	0.74
Other Current Liabilities	0.03	–
<b>Total Liabilities</b>	<b>0.89</b>	<b>0.74</b>
<b>Assets</b>		
Long-term loans and advances	–	–
Trade receivables	0.12	0.12
Cash and bank balances	0.15	0.15
Short-term loans and advances	0.21	0.14
<b>Total Assets</b>	<b>0.48</b>	<b>0.41</b>

# Notes to the Consolidated Financial Statements

44. The Hon'ble High Court of Delhi sanctioned a Composite Scheme of Arrangement (the "Scheme") applicable from 1st January, 2013 between the Company and its wholly owned subsidiaries namely HCL Infotech Limited, HCL Services Limited and HCL Learning Limited (collectively the "Transferee Companies") and HCL Infocom Ltd and their respective shareholders and creditors under the provisions of section 391 to 394 of the Companies Act, 1956, vide its order dated September 18, 2013 received on October 30, 2013. The Scheme became effective from November 1, 2013 on filing a certified copy of the High Court order with the office of the Registrar of the Companies, NCT of Delhi & Haryana and was applicable from January 1, 2013 (the "Appointed date"). According to the Scheme, as on 1st January, 2013, the Hardware Solutions Business, Services Business and Learning Business (collectively the "Transferred Undertakings") of the Company transferred to HCL Infotech Limited, HCL Services Limited and HCL Learning Limited (collectively the "Transferee Companies") respectively, the wholly owned subsidiaries. Also with effect from the appointed date, HCL Infocom Limited was merged with the Company.

As detailed in the scheme, the Company transferred net assets as on 1st January, 2013 having book value of ₹ 1118.13 crores for Hardware Solution Business to HCL Infotech Limited for Nil Consideration, net assets having book value of ₹ 79.31 crores for Services business to HCL Services Ltd for a consideration of ₹ 61 crores and net assets having book value of ₹ 111.84 crores of Learning business to HCL Learning Limited at a consideration of ₹ 113 crores. On such transfers, ₹ 1,135.28 crores, being the difference of the net assets transferred and the consideration received was debited to Business Restructuring Reserve, on merger of HCL Infocom Ltd ₹ 959.48 crores, being the difference between fair value of net assets and the Company's investment in HCL Infocom Limited, was credited to capital reserve, and the Business restructuring reserve so arising was adjusted from capital reserve ₹ 959.48 crores and from Securities Premium account ₹ 175.80 crores. The Fair values as at December 31, 2012 of the transferred undertakings and assets/liabilities recorded by the transferee companies as at appointed date, were determined by the independent valuer appointed by the Company.

The assets and liabilities pertaining to the Hardware Solutions Business Undertaking were recorded by HCL Infotech Limited, at the respective fair values as on 31st December, 2012. The excess of assets over liabilities amounting to ₹ 410.64 crores was credited as Capital Reserve in the books of HCL Infotech Limited. For HCL Services Limited and HCL Learning Limited, the assets and liabilities of the Service Business Undertaking and Learning Business Undertaking, respectively, were recorded by allocating the consideration to the respective assets and liabilities based upon the fair values as on 31st December, 2012. The excess of the consideration paid over the aggregate fair values of the assets and liabilities was recorded as 'Goodwill' amounting to ₹ 50.88 Crores and ₹ 6.01 Crores respectively in the books of HCL Services Limited and HCL Learning Limited respectively.

As at the appointed date, the Group recorded Goodwill amounting to ₹ 606.33 Crores (including Goodwill recorded at the subsidiary level, as explained above) arising from the consolidation of Transferee Companies with the Company, being difference between the Company's investments in the Transferee Companies as determined by an independent valuer as on 31st December, 2012 and net assets recorded by the Transferee Companies in their respective books as at the Appointed date. Goodwill has now been tested for impairment, and ₹ 70 Crores has been written down for Goodwill related to Learning Business (Refer Note 38).

## 45. Expenditure of Research and Development

Particulars	2016 ₹/Crores	2015 ₹/Crores
Capital	-	0.52
Add: Intangible assets under development	2.16	-
	2.16	0.52
Revenue (Depreciation, Personnel, Travel and Other Administration expenses)	11.97	15.84
Less: Transferred to Intangible assets under development	2.16	-
	9.81	15.84
<b>Total</b>	<b>11.97</b>	<b>16.36</b>



# Notes

to the Consolidated Financial Statements

## 46. Additional information to consolidated accounts as at March 31, 2016 (Pursuant to Schedule III of the Companies Act 2013):

Name of the Entity	Net Assets i.e, total assets minus total liabilities		Share in profit or (loss)	
	As a % of consolidated net assets	Amount	As a % of consolidated net (profit) / loss	Amount
<b>Parent company</b>				
HCL Infosystems Limited	121.71	1,226.92	(8.34)	21.21
<b>Subsidiaries: Indian</b>				
Digilife Distribution and Marketing Services limited	(0.59)	(5.92)	(0.72)	1.83
RMA Software Park Private Limited	–	–	0.00	0.00
HCL Computing Products Limited	0.01	0.06	0.00	(0.01)
HCL Services Limited	8.19	82.52	31.07	(79.04)
HCL Learning Limited	0.79	7.96	8.70	(22.14)
HCL Infotech Limited	19.20	193.56	42.98	(109.36)
Pimpri Chinchwad eServices Limited	(0.00)	(0.01)	0.01	(0.01)
<b>Subsidiaries: Foreign</b>				
HCL Touch Inc., USA	0.04	0.42	0.01	(0.02)
HCL Infosystems MEA FZE, Dubai	(2.59)	(26.14)	8.39	(21.35)
HCL Infosystems LLC, Dubai	(0.82)	(8.23)	(0.11)	0.28
HCL Infosystems MEA LLC, Abu Dhabi	(0.29)	(2.95)	(1.48)	3.76
HCL Infosystems Qatar WLL	0.96	9.72	(2.49)	6.35
HCL Infosystems South Africa (Pty) Limited	(0.11)	(1.06)	0.00	0.00
HCL Insys Pte Limited, Singapore	15.83	159.55	(5.53)	14.07
HCL Investment Pte Limited, Singapore	1.29	12.97	0.03	(0.07)
<b>Joint Venture (as per proportionate consolidation)</b>				
Nokia HCL Mobile Internet Services Limited	(0.04)	(0.41)	0.02	(0.05)
Intra-Group Eliminations	(63.58)	(640.92)	27.47	(69.89)
<b>Total</b>	<b>100.00</b>	<b>1,008.04</b>	<b>100.00</b>	<b>(254.44)</b>

47. In compliance with the Section 2(41) of Companies Act, 2013, the company has changed its Financial year end from June 30 to March 31. Accordingly, the current year's figures are for the nine month period from July 1, 2015 to March 31, 2016 and to the extent are not comparable with those for the previous year. Previous year's figures have also been regrouped / recasted, wherever necessary, to conform to the current period's presentation.

### For Price Waterhouse

Firm Registration Number-301112E  
Chartered Accountants

### AVIJIT MUKERJI

Partner  
Membership Number -056155

Place : Noida  
Date : May 25, 2016

### For and on behalf of the Board of Directors

### PREMKUMAR SESHADRI

Executive Vice Chairman  
& Managing Director  
DIN - 03114983

### S G MURALI

Group Chief Financial Officer

### KAUSHIK DUTTA

Director  
DIN - 03328890

### SUSHIL KUMAR JAIN

Company Secretary

**Statement pursuant to first proviso to sub section (3) of Section 129 of the Companies Act 2013,  
read with rule 5 of Companies (Accounts) Rules, 2014 in the prescribed FORM AOC-1 relating to Subsidiaries / Joint Venture**

(₹ Crores) except % of shareholding

S. No.	Name of the Subsidiary Company / Joint Venture	Reporting Currency	Exchange Rate	Share Capital	Reserve & Surplus	Total Assets	Total Liabilities	Investments	Turnover	Profit before Taxation	Provision for Taxation	Profit after Taxation	Proposed Dividend	% of Share holding	Country
1	Digilife Distribution and Marketing Services limited	INR	1.00	48.05	(53.97)	68.63	74.55	-	189.78	1.83	-	1.83	-	100	India
2	HCL Computing Products Limited	INR	1.00	0.10	(0.04)	0.10	0.03	-	-	(0.01)	-	(0.01)	-	100	India
3	HCL Services Limited	INR	1.00	0.08	82.44	529.54	447.02	-	482.14	(79.76)	(0.72)	(79.04)	-	100	India
4	HCL Learning Limited	INR	1.00	0.08	7.89	109.95	101.98	-	16.51	(24.02)	(1.89)	(22.14)	-	100	India
5	HCL Infotech Limited	INR	1.00	0.22	193.34	1,513.67	1,320.10	-	405.13	(109.36)	-	(109.36)	-	100	India
6	Pimpri Chinchwad eServices Limited	INR	1.00	0.05	(0.06)	0.01	0.02	-	-	(0.01)	-	(0.01)	-	85	India
7	HCL Touch Inc., USA	USD	66.25	0.00	0.42	0.61	0.18	-	0.08	(0.02)	-	(0.02)	-	100	USA
8	HCL Infosystems MEA FZE, Dubai	AED	17.58	56.59	(82.73)	38.97	65.11	1.14	(2.09)	(21.35)	-	(21.35)	-	100	Dubai
9	HCL Infosystems LLC, Dubai	AED	17.58	0.53	(8.75)	1.82	10.04	-	4.06	0.28	-	0.28	-	49	Dubai
10	HCL Infosystems MEA LLC, Abu Dhabi	AED	17.58	0.26	(3.22)	3.24	6.19	-	10.54	3.76	-	3.76	-	49	Abu Dhabi
11	HCL Infosystems Qatar WLL	AED	17.58	0.35	9.37	10.01	0.29	-	24.29	6.66	0.32	6.35	-	49	Qatar
12	HCL Infosystems South Africa (Pty) Limited	ZAR	4.44	1.31	(2.37)	0.00	1.06	-	-	-	-	(0.00)	-	100	South Africa
13	HCL Insys Pte Limited, Singapore	USD	48.61	70.78	88.77	231.86	72.31	100.45	247.90	16.51	2.44	14.07	-	100	Singapore
14	HCL Investment Pte Limited, Singapore	USD	66.25	8.41	1.21	13.34	0.37	-	-	(0.07)	-	(0.07)	-	100	Singapore
15	Nokia HCL Mobile Internet Services Limited	INR	1.00	0.25	(0.65)	0.48	0.89	-	0.08	(0.05)	-	(0.05)	-	49	India

[illegible]

# Notes

CELEBRATING  
**40** YEARS

**HCL**

**HCL INFOSYSTEMS**

E-4, Sector 11, Noida, U.P., India  
Tel: +91 120 2526518/19. 2520977,  
[www.hclinfosystems.com](http://www.hclinfosystems.com)

# HCL INFOSYSTEMS LIMITED

CIN- L72200DL1986PLC023955

Registered Office: 806, Siddharth, 96, Nehru Place, New Delhi-110 019,

Corporate Office: E-4, Sector 11, Noida 201301 (U.P.)

Telephone: +91 120 2520977, 2526518, 2526519, Fax No.+91 120 2523791

Website: www.hclinfosystems.com, Email: cosec@hcl.com

## NOTICE

NOTICE is hereby given that the Thirtieth Annual General Meeting of the members of HCL Infosystems Limited will be held on Thursday, 29<sup>th</sup> September, 2016 at 10:00 A.M. at Kamani Auditorium, 1, Copernicus Marg, New Delhi – 110001 to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the standalone and consolidated financial statements of the Company for the financial year (Nine Months) ended 31<sup>st</sup> March, 2016, including the audited Balance Sheet as at 31<sup>st</sup> March, 2016, the Statement of Profit and Loss for the year (Nine Months) ended on that date and the Reports of the Board of Directors and Auditors thereon and in this regard, pass the following resolution as an **Ordinary Resolution**:  
 “RESOLVED that the audited standalone and consolidated financial statements of the Company for the financial year (Nine Months) ended 31<sup>st</sup> March, 2016 including the audited Balance Sheet as at 31<sup>st</sup> March, 2016, the Statement of Profit and Loss for the year (Nine Months) ended on that date and the Reports of the Board of Directors and Auditors thereon be and are hereby received, approved, and adopted.”
2. To appoint a Director in place of Mr. Pawan Kumar Danwar (DIN 06847503), who retires by rotation and being eligible, offers himself for re-appointment and in this regard, pass the following resolution as an **Ordinary Resolution**:  
 “RESOLVED that Mr. Pawan Kumar Danwar (DIN 06847503), Director retiring by rotation, in accordance with the Articles of Association of the Company and being eligible for re-appointment be and is hereby re-appointed as Director of the Company, liable to retire by rotation.”
3. To appoint M/s. Price Waterhouse, Chartered Accountants (FRN – 301112E) as Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration and in this regard, pass the following resolution as an **Ordinary Resolution**:  
 “RESOLVED that M/s. Price Waterhouse (FRN – 301112E), Chartered Accountants, the retiring Auditors be and are hereby appointed as Auditors of the Company from conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company.”  
 “RESOLVED further that the Board of Directors of the Company be and is hereby authorised to fix their remuneration and reimburse travelling and out of pocket expenses incurred by them for the purpose of audit.”

### SPECIAL BUSINESS:

4. To approve offer or invitation to subscribe to Redeemable Non-Convertible Debentures on private placement basis and in this regard, pass the following resolution as a **Special Resolution**:  
 “RESOLVED that pursuant to the provisions of Sections 42, 71 and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Prospectus and Allotment of Securities) Rules, 2014, the Companies (Share Capital and Debentures) Rules, 2014, SEBI (Issue and Listing of Debt Securities) Regulations, 2008, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force) and subject to the provisions of the Articles of Association of the Company, approval of the members be and is hereby accorded to the Board of Directors of the Company to offer or invite subscriptions for secured / unsecured redeemable non-convertible debentures, in one or more series/ tranches, of the aggregate nominal value up to ₹ 300 Crores (Rupees Three Hundred Crores), on private placement basis, from such persons and on such terms and conditions as the Board of Directors of the Company may, from time to time, determine and consider proper and most beneficial to the Company including, without limitation, as to when the said debentures are to be issued, the face value of debentures to be issued, the consideration for the issue, mode of payment, coupon rate, redemption period, utilization of the issue proceeds and all matters connected therewith or incidental thereto.”  
 “RESOLVED further that the Board of Directors of the Company be and is hereby authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution and for matters connected therewith or incidental thereto.”

**By Order of the Board  
For HCL Infosystems Limited**

**Date : 17<sup>th</sup> August, 2016  
Place : Noida**

**Sd/-  
Sushil Kumar Jain  
Company Secretary  
Membership No.: A8917**



## HCL INFOSYSTEMS

### Notes:

1. As a responsible corporate citizen, the Company welcomes and supports the 'Green Initiative' taken by the Ministry of Corporate Affairs, enabling the Company to send all communication to the Members through electronic mode. The above initiative will go a long way in conserving paper which is a natural resource as also result in substantial savings on printing and posting of annual reports and other documents of your Company sent to Members.

The Notice of the AGM along with the Annual Report 2015-16 is being sent by electronic mode to those Members whose e-mail addresses are registered with the Company/Depositories, unless any Member has requested for a physical copy of the same. For Members who have not registered their e-mail addresses, physical copies are being sent by the permitted mode.

Members are requested to support this Green Initiative by updating their email addresses with their respective Depository Participants, in case of electronic shareholding or registering their email addresses with the Company's Registrar and Share Transfer Agent, in case of physical shareholding. We hope that Members will join this cause and make the world a cleaner, greener and healthier place to live in.

2. The relevant information as required under the relevant provisions of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 and the Companies Act, 2013, of person seeking re-appointment as Director in Annual General Meeting scheduled to be held on 29<sup>th</sup> September, 2016 is enclosed and forms part of this notice.
3. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING (AGM) IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING THE PROXY, IN ORDER TO BE EFFECTIVE, MUST BE DEPOSITED AT THE COMPANY'S REGISTERED OFFICE, DULY COMPLETED AND SIGNED, NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

Proxies submitted on behalf of limited companies, societies, etc., must be supported by appropriate resolutions/authority, as applicable. A person can act as proxy on behalf of Members not exceeding fifty (50) and holding in the aggregate not more than 10% of the total share capital of the Company. In case a proxy is proposed to be appointed by a Member holding more than 10% of the total share capital of the Company carrying voting rights, then such proxy shall not act as a proxy for any other person or shareholder.

4. The Register of Members and the Share Transfer Books of the Company shall remain closed from Monday, 26<sup>th</sup> September, 2016 to Thursday, 29<sup>th</sup> September, 2016 (both days inclusive) for the purpose of Annual General Meeting.
5. All correspondence with regard to share transfers/dividends and matters related therewith may directly be addressed to the Company's Registrar and Share Transfer Agent (RTA) at the address given below:

M/s. Alankit Assignments Limited  
205-208, Anarkali Complex,  
Jhandewalan Extension,  
New Delhi-110055  
Phone : 011-42541234, 011-23541234  
Fax : 011-23552001  
Email : rta@alankit.com  
Website : www.alankit.com

6. Members holding shares in physical form are requested to dematerialize their shares. Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company or the RTA. Members holding shares in physical form are also requested to quote their PAN details on the share transfer deed submitted for transfer of their shares.
7. In case of joint holders attending the meeting, the Member whose name appears as the first holder in the order of names as per the Register of Members of the Company will be entitled to vote.
8. Members holding shares in physical form and desirous of making a nomination or cancellation/ variation in nomination already made in respect of their shareholding in the Company, as permitted under Section 72 of the Companies Act, 2013, are requested to submit to the RTA of the Company the prescribed Form SH-13 for nomination and Form SH-14 for cancellation/ variation as the case may be. Members holding shares in demat mode may contact their respective Depository Participant (DP) for availing this facility.
9. Copies of all documents referred to in notice and explanatory statement annexed thereto and the statutory registers under of the Companies Act, 2013 are available for inspection at the registered office of the Company between 11:00 A.M. to 1:00 P.M. on all working days i.e Monday to Friday, till the date of meeting and will also be available at the venue of the meeting.



10. Pursuant to provisions of Sections 205A and 205C and other applicable provisions, if any, of the Companies Act, 1956, the Company has transferred unpaid/ unclaimed dividend up to 3<sup>rd</sup> Interim dividend for the financial year 2008-09 to the Investor Education and Protection Fund (the Fund) of the Central Government.

The unpaid/unclaimed dividend(s) declared thereafter, remaining unpaid or unclaimed for a period of seven years from the date the same become due for payment, will be transferred by the Company to the Fund of the Central Government, as and when due. Shareholders who have not encashed the dividend warrant(s) are requested to return the unpaid dividend warrant(s) for revalidation or write to the Company at the above address to obtain duplicate dividend warrant immediately. Please note that after transfer of the unpaid/ unclaimed dividend to the Fund, no claims shall lie against the Fund or the Company in respect of individual amounts and no payment shall be made in respect of any such claims.

11. In compliance with the provisions of section 108 of the Act read with Rule 20 of Companies (Management and Administration) Rules 2014 as amended vide Companies (Management and Administration) Amendment Rules 2015 and the regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Members are provided with the facility to cast their vote electronically, through the Remote e-voting services provided by NSDL, on all resolutions set forth in this Notice.
12. The certificate from the Auditors of the Company certifying that the Employees Stock Option Schemes of the Company are being implemented in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and in accordance with the resolutions passed by members, shall be placed at the AGM.
13. Members seeking any information with regard to the Accounts, are requested to write to the Company at an early date, so as to enable the Management to keep the information ready at the meeting.
14. Please note that snacks box shall not be distributed at the Annual General Meeting.

## **EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013**

### **Item No. 4**

The Company requires long term funds to replace a part of its short term borrowings. This will enable the Company to have committed funds at fixed cost of finance to protect the Company from any fluctuations in the financial market conditions and consequent impact on liquidity and pricing. The Company has been exploring raising funds of up to ₹ 300 Crores (Rupees Three Hundred Crores) by way of secured / unsecured, redeemable, non-convertible debentures (NCDs) of the Company to be used for general corporate purposes, repayment of part of short term borrowings and other purposes as may be considered fit by the Board of Directors.

Section 71 of the Act which deals with the issuance of debentures read with Section 42 of the Act which deals with the offer or invitation for subscription of securities of a company on private placement and Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 provide that a company which intends to make a private placement of its non-convertible debentures, shall, before making an offer or invitation for subscription, obtain approval of its shareholders by means of a special resolution. It shall be sufficient if the company passes a special resolution only once in a year for all the offers or invitations for such non-convertible debentures during the year.

Thereafter, the Board may, at an appropriate time, consider offering or inviting subscriptions for secured / unsecured redeemable non-convertible debentures, in one or more series/ tranches, on private placement basis, issuable / redeemable at par, in order to augment long-term resources to be used for general corporate purposes, repayment of part of short term borrowings and other purposes as may be considered fit by the Board of Directors.

Keeping in view the above, consent of the members is sought for passing the Special Resolution as set out at Item No. 4 of the Notice. This enabling resolution authorizes the Board of Directors of the Company to offer or invite subscription for redeemable non-convertible debentures, as may be required by the Company, from time to time and as set out herein, for a year from the date of passing this resolution. The total borrowings of the Company, including by way of NCDs shall remain within the overall limit of ₹ 4500 Crores sanctioned by the shareholders of the Company.

None of the Directors / Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 4 of the Notice.

The Board recommends the Special Resolution set out at Item No. 4 of the Notice for approval by the members.

**By Order of the Board  
For HCL Infosystems Limited**

**Date : 17<sup>th</sup> August, 2016  
Place : Noida**

**Sd/-  
Sushil Kumar Jain  
Company Secretary  
Membership No.: A8917**

**Profile of Mr. Pawan Kumar Danwar seeking re-appointment as Directors in Annual General Meeting**

<b>Name of Director</b>	<b>Mr. Pawan Kumar Danwar</b>
<b>Date of Birth</b>	07/07/1966
<b>Age (years)</b>	50
<b>Date of Appointment</b>	21/03/2014
<b>Qualifications</b>	Chartered Accountant (CA) & Company Secretary (CS)
<b>Expertise in specific functional area</b>	<p>Pawan is a finance professional and serves as the Executive Vice-President &amp; CFO of HCL Corporation Pvt. Ltd., a promoter Company of HCL Group (HCL). He carries with him over 25 years of vast experience, out of which his association with the HCL spans over 20 years. He has served in diversified finance profiles in the organization such as Business Finance, Corporate Restructuring, Acquisition &amp; Business Integration, Treasury (fund raising, investment &amp; forex management), Planning &amp; Strategy, Commercial, Business Development, Secretarial, Legal &amp; Corporate Compliance and investor relationship. He has structured and negotiated some big business contracts for HCL in the past decades and has been instrumental in shaping different financial strategies for HCL.</p> <p>He has deep understanding of various industries like IT; Healthcare; Education; Skill &amp; Talent; Insurance; Chemical etc.</p>
<b>Directorships held in other Companies as on date</b>	<ul style="list-style-type: none"> <li>- Digilife Distribution and Marketing Services Limited</li> <li>- HCL Services Limited</li> <li>- HCL Healthcare Private Limited</li> </ul>
<b>Membership/Chairmanship in Committees of other companies as on date</b>	<p><b>Digilife Distribution and Marketing Services Limited</b></p> <ul style="list-style-type: none"> <li>- Audit Committee (Member)</li> <li>- Corporate Social Responsibility Committee (Member)</li> </ul> <p><b>HCL Services Limited</b></p> <ul style="list-style-type: none"> <li>- Audit Committee (Member)</li> <li>- Corporate Social Responsibility Committee (Member)</li> </ul>
<b>Number of shares held in the Company as on date</b>	Nil

Mr. Pawan Kumar Danwar is interested in the Ordinary Resolution set out at Item Nos. 2 of the Notice with regard to his re-appointment. The relatives of Mr. Pawan Kumar Danwar may be deemed to be interested in the said resolution to the extent of their shareholding interest, if any, in the Company. Save and except the above, none of the Directors/Key Managerial Personnel of the Company/their relatives are, in any way, concerned or interested financially or otherwise in the Ordinary Resolutions set out under the items no. 1 to 3 of the Notice.

**HCL INFOSYSTEMS LIMITED**

CIN- L72200DL1986PLC023955

Registered Office: 806, Siddharth, 96, Nehru Place, New Delhi-110 019,  
Corporate Office: E-4, Sector 11, Noida 201301 (U.P.)  
Telephone: +91 120 2520977, 2526518, 2526519, Fax No.+91 120 2523791  
Website: www.hclinfosystems.com, Email: cosec@hcl.com

**ATTENDANCE SLIP**30<sup>th</sup> Annual General Meeting – Thursday, 29<sup>th</sup> September, 2016**FOLIO NO./CLIENT ID No.** \_\_\_\_\_ **DP ID No.** \_\_\_\_\_

No. of Shares held \_\_\_\_\_

I certify that I am a member / proxy for the member of the Company.

I hereby record my presence at the 30<sup>th</sup> Annual General Meeting of the Company at 10:00 A.M. at Kamani Auditorium, 1, Copernicus Marg, New Delhi 110001.\_\_\_\_\_  
Name of the Member / Proxy\_\_\_\_\_  
Signature of the Member / Proxy**Note:**

1. Please complete the Folio/DP ID-Client ID No. and name, sign the Attendance Slip and hand it over at the Attendance Verification counter at the entrance of the Meeting Hall.
2. Electronic copy of the Annual Report for the financial year ended on 31<sup>st</sup> March, 2016 and Notice of the Annual General Meeting (AGM) alongwith Attendance Slip and Proxy Form is being sent to all the members whose e-mail address is registered with the Company / Depository Participant unless any member has requested for a hard copy of the same. Members receiving electronic copy and attending the AGM can print copy of this Attendance Slip.
3. Physical copy of Annual Report for the financial period ended on 31<sup>st</sup> March, 2016 and Notice of Annual General Meeting alongwith Attendance Slip and Proxy Form is sent in the permitted mode(s) to all members whose email is not registered or who have requested for a hard copy.
- 4. Please note that snacks box shall not be distributed at the Annual General Meeting.**

**HCL INFOSYSTEMS LIMITED**

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Website: www.hclinfosystems.com, Email: cosec@hcl.com

**PROXY FORM**[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies  
(Management and Administration) Rules, 2014]30<sup>th</sup> Annual General Meeting – Thursday, 29<sup>th</sup> September, 2016

Name of member(s) :

Registered address :

E-mail :

Folio No./Client ID No. :

DP ID No. :

I/We, being the member(s) of ..... shares of the above named company,  
hereby appoint

1. Name ..... Email .....  
Address .....  
..... Signature ..... or failing him;
2. Name ..... Email .....  
Address .....  
..... Signature ..... or failing him;
3. Name ..... Email .....  
Address .....  
..... Signature .....

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 30<sup>th</sup> Annual General Meeting of the Company to be held on Thursday, 29<sup>th</sup> September, 2016 at 10:00 A.M. at Kamani Auditorium, 1, Copernicus Marg, New Delhi 110001 and at any adjournment thereof in respect of such resolutions as are indicated below:

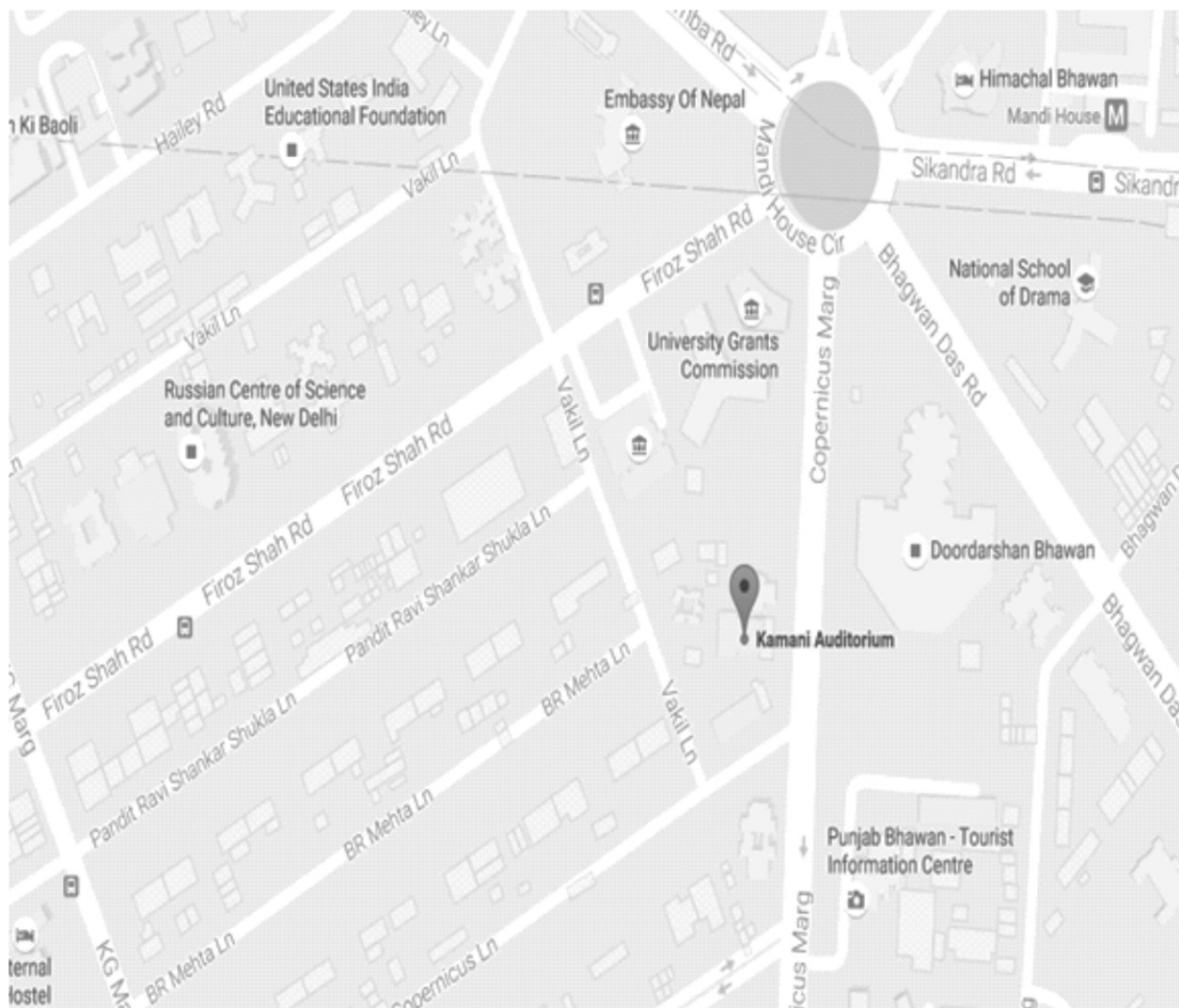
Resolution No.	Resolutions
<b>Ordinary Business</b>	
1.	To receive, consider and adopt the standalone and consolidated financial statements of the Company for the financial year (Nine Months) ended 31 <sup>st</sup> March, 2016, including the audited Balance Sheet as at 31 <sup>st</sup> March, 2016, the Statement of Profit and Loss for the year (Nine Months) ended on that date and the Reports of the Board of Directors and Auditors thereon.
2.	To appoint a Director in place of Mr. Pawan Kumar Danwar (DIN 06847503), who retires by rotation and being eligible, offers himself for re-appointment.
3.	To appoint M/s. Price Waterhouse, Chartered Accountants (FRN – 301112E) as Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.
<b>Special Business</b>	
4.	To approve offer or invitation to subscribe to Redeemable Non-Convertible Debentures on private placement basis.

Signed this ..... day of ..... 2016

Signature of the member/Signature of the Proxy Holder(s)

Affix ₹ 1  
Revenue  
Stamp**\*Please note that snacks box shall not be distributed at the Annual General Meeting.**

**Route map of Annual General Meeting Venue,  
Kamani Auditorium, 1, Copernicus Marg, New Delhi – 110001**





## HCL INFOSYSTEMS LIMITED

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Telephone: +91 120 2520977, 2526518, 2526519, Fax No.+91 120 2523791

Website: www.hclinfosystems.com, Email: cosec@hcl.com

Dear Member,

### Subject: Instructions for e-voting

In compliance with the provisions of the section 108 of the Companies Act, 2013, read with Rule 20 of the Companies (Management and Administration) Rules, 2014 as amended by the Companies (Management and Administration) Amendment Rules, 2015 and Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), the Company is pleased to provide members, facility to exercise their right to vote on all resolutions set forth in the Notice convening the Thirtieth (30<sup>th</sup>) Annual General Meeting (AGM) of HCL Infosystems Limited to be held on Thursday, 29<sup>th</sup> September, 2016 at 10:00 A.M. at Kamani Auditorium, 1, Copernicus Marg, New Delhi – 110001.

The Members who have cast their vote by remote e-voting may also attend the Meeting but shall not be entitled to cast their vote again.

The facility for voting either through electronic voting system or ballot shall also be made available at the meeting and the Members attending the meeting who have not already cast their vote by remote e-voting shall be able to exercise their rights at the meeting.

The Company has engaged the services of National Securities Depository Limited (NSDL) to provide the e-voting facilities.

The Members may cast their votes using an electronic system from a place other than the venue of the Meeting ('remote e-voting').

The e-voting facility is available at the link <https://www.evoting.nsdl.com>

The e-voting particulars are set out below:

EVEN (Electronic Voting Event Number)	USER ID	PASSWORD

The e-voting facility will be available during the following voting period:

Commencement of e-voting	Monday, 26 <sup>th</sup> September, 2016 at 9.00 a.m. IST
End of e-voting	Wednesday, 28 <sup>th</sup> September, 2016 at 5.00 p.m. IST

Please read the instructions printed overleaf before exercising the vote electronically.

These details and instructions form integral part of the Notice of the Thirtieth (30<sup>th</sup>) AGM of the Company to be held on Thursday, 29<sup>th</sup> September, 2016.

The voting rights of shareholders shall be in proportion to their shares of the paid-up equity share capital of the Company as on the cut-off date of Thursday, 22<sup>nd</sup> September, 2016.

**A person, whose name is recorded in the Register of Members or in the register of beneficial owners maintained by the Depositories as on the cut-off date, i.e. Thursday, 22<sup>nd</sup> September, 2016 only shall be entitled to avail the facility of remote e-voting/voting at the AGM.**

**The instructions for e-voting are as under:**

- A.** In case a Member receives an e-mail from NSDL (for Members whose e-mail addresses are registered with the Company/Depositories):
- I. Open the e-mail and also open PDF file namely "HCL e-voting.pdf" with your Client ID or Folio No. as password. The said PDF file contains your user ID and password for e-voting. Please note that the password is an initial password.
  - II. Open the internet browser and type the following URL: <https://www.evoting.nsdl.com>.
  - III. Click on Shareholder Login.
  - IV. If you are already registered with NSDL for e-voting then you can use your existing user ID and password for casting your vote.
  - V. If you are logging in for the first time, please enter the user ID and password provided in the PDF file attached with the e-mail as initial password.
  - VI. The Password Change Menu will appear on your screen. Change to a new password of your choice, making sure that it contains a minimum of 8 digits or characters or a combination of both. Please take utmost care to keep your password confidential.
  - VII. Once the e-voting home page opens, click on e-voting> Active Voting Cycles.
  - VIII. Select "EVEN" (Electronic Voting Event Number) of HCL Infosystems Limited. Now you are ready for e-voting as Cast Vote page opens.
  - IX. Cast your vote by selecting appropriate option and click on "Submit" and also "Confirm" when prompted. Upon confirmation, the message "Vote cast successfully" will be displayed.
  - X. Once the vote on the resolution is cast, the Member shall not be allowed to change it subsequently.
  - XI. Institutional shareholders (i.e. other than individuals, HUF, NRI, etc.) are required to send scanned copy (PDF/JPG format) of the relevant Board Resolution/Authority letter, etc., together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail to [hclscrutinizer@gmail.com](mailto:hclscrutinizer@gmail.com), with a copy marked to [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in).
  - XII. In case of any queries, you may refer the Frequently Asked Questions (FAQs) - Shareholders and e-voting user manual - Shareholders, available at the downloads section of [www.evoting.nsdl.com](http://www.evoting.nsdl.com) or contact: Ms. Pallavi Mhatre, Assistant Manager, NSDL, Ph.: 022-24994545/1800-222-990, Email ID: [pallavid@nsdl.co.in](mailto:pallavid@nsdl.co.in), [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in). The documents should reach the Scrutinizers on or before the close of working hours on or before 29<sup>th</sup> September, 2016.
- B.** In case a Member receives physical copy of the Notice of AGM (for Members whose email addresses are not registered with the Company/Depositories):
- I. Initial password is provided in the EVEN (Electronic Voting Event Number), user ID and password under the instruction for e-voting printed overleaf.
  - II. Please follow all steps from Sl. No. (II) to Sl. No. (XII) above, to cast vote.
- C.** Other Instructions:
- I. The remote e-voting period commences on Monday, 26<sup>th</sup> September, 2016 (9.00 a.m. IST) and ends on Wednesday, 28<sup>th</sup> September, 2016 (5.00 p.m. IST) and thereafter the remote e-voting facility shall forthwith be blocked. During this period, Members of the Company, holding shares either in physical form or in dematerialized form, as on Thursday, 22<sup>nd</sup> September, 2016, may cast their vote electronically. The remote e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the Member, he shall not be allowed to change it subsequently.
  - II. The voting rights of Members shall be in proportion to their shares of the paid up equity share capital of the Company as on Thursday, 22<sup>nd</sup> September, 2016. A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date only shall be entitled to avail the facility of remote e-Voting, voting through ballot form, as well as voting at the meeting through ballot.
  - III. Any person, who acquires shares of the Company and becomes a member of the Company after dispatch of the Notice and holding shares as of the cut-off date, may obtain the login ID and password by sending a request at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in). However, if you are already registered with NSDL for remote e-voting then you can use your existing user ID and password for casting your vote. If you forget your password, you can reset your password by using "Forgot User Details / Password" option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com).
  - IV. The Company has appointed Mr. Vineet K. Chaudhary, Company Secretary in Whole-time practice as "Scrutinizer" to scrutinize the e-voting process in a fair and transparent manner. He has given his consent for such appointment.
  - V. The Scrutinizer shall, immediately after the conclusion of voting at the general meeting, would count the votes cast at the meeting, thereafter unblock the votes cast through remote e-voting in the presence of at least two (2) witnesses not in the employment of the Company and make, within Forty Eight hours of conclusion of the meeting, a consolidated Scrutinizer's report of the total votes cast in favor or against, if any, to the Chairman or a person authorized by him in writing who shall countersign the same.
  - VI. The result declared along with the Scrutinizer's Report shall be placed on the Company's website [www.hclinfosystems.com](http://www.hclinfosystems.com) and on the website of NSDL, [www.evoting.nsdl.com](http://www.evoting.nsdl.com) immediately after the result are declared by the Chairman or any person authorized by him. The Company shall, simultaneously, communicate the results to the BSE Limited and National Stock Exchange of India Limited, where the shares of the Company are listed.