

**Saankhya Labs Inc.****Balance Sheet as at March 31, 2023***(All amounts in US Dollars except for share data or as otherwise stated)*

Particulars	Notes	As at		
		March 31, 2023	March 31, 2022	April 1, 2021
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipments	3(a)	-	-	6,076
Intangible assets	3(b)	-	125,000	125,000
Current tax asset (net)	4	82,500	82,500	82,500
<b>Total non-current assets</b>		<b>82,500</b>	<b>207,500</b>	<b>213,576</b>
<b>Current assets</b>				
Inventories	5	-	47,706	-
Financial assets				
(i) Trade receivables	6	366,604	176,470	-
(iii) Cash and cash equivalents	7	14,772	565,543	788,301
Other current assets	8	7,300	-	-
<b>Total current assets</b>		<b>388,677</b>	<b>789,719</b>	<b>788,301</b>
<b>Total assets</b>		<b>471,177</b>	<b>997,219</b>	<b>1,001,877</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Equity share capital	9	1,250,000	1,250,000	1,250,000
Other equity	10	(1,131,572)	(849,437)	(693,455)
		<b>118,428</b>	<b>400,563</b>	<b>556,545</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Financial liabilities				
(i) Trade payables	11			
(a) Total outstanding dues of micro enterprises and small enterprises		7,910	-	-
(b) Total outstanding dues of creditors other than micro enterprises and small enterprises		-	159,706	10,332
Other current liabilities	12	344,838	436,950	435,000
<b>Total current liabilities</b>		<b>352,748</b>	<b>596,656</b>	<b>445,332</b>
<b>Total liabilities</b>		<b>352,748</b>	<b>596,656</b>	<b>445,332</b>
<b>Total equity and liabilities</b>		<b>471,177</b>	<b>997,219</b>	<b>1,001,877</b>

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

As per our report of even date.

for **M S K A & Co.**

Firm Registration Number: 117035W

*for and on behalf of Board of Directors of*  
**Saankhya Labs Inc.****CA. Ashok Kumar Rathi**

Partner

Membership No.: 094591

Place: Bengaluru

Date: April , 2023

**Vishwakumara Kayargadde**

Director

DIN: 00751260

Place: Bengaluru

Date: April , 2023

**Parag Naik**

Director

DIN: 01055996

Place: Bengaluru

Date: April , 2023

**Saankhya Labs Inc.****Statement of Profit and Loss for the year ended March 31, 2023***(All amounts in US Dollars except for share data or as otherwise stated)*

Particulars	Notes	For the year ended	
		March 31, 2023	March 31, 2022
<b>Income</b>			
Revenue from operations	13	345,122	176,470
<b>Total Income</b>		<b>345,122</b>	<b>176,470</b>
<b>Expenses</b>			
Changes in inventories of stock in trade	14	47,706	(47,706)
Depreciation and amortisation	15	125,000	6,076
Other expenses	16	454,550	374,082
<b>Total Expenses</b>		<b>627,257</b>	<b>332,452</b>
<b>Loss before tax</b>		<b>(282,135)</b>	<b>(155,982)</b>
<b>Income tax expenses</b>	17		
Current tax		-	-
Deferred tax		-	-
<b>Total tax expenses</b>		<b>-</b>	<b>-</b>
<b>Profit/ (Loss) after tax</b>		<b>(282,135)</b>	<b>(155,982)</b>
<b>Other comprehensive income/(loss)</b>			
Items that may be reclassified to profit or loss			
Exchange differences in translating the financial statements of foreign operations		-	-
Income tax relating to above		-	-
<b>Other comprehensive income/(loss), net of taxes</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income/(loss) for the year</b>		<b>(282,135)</b>	<b>(155,982)</b>
<b>Earnings/(Loss) per equity share</b>	18		
Basic (in Rs.)		(0.23)	(0.12)
Diluted (in Rs.)		(0.23)	(0.12)

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

As per our report of even date.

for **M S K A & Co.**

Firm Registration Number: 117035W

*for and on behalf of Board of Directors of*  
**Saankhya Labs Inc.**

**CA. Ashok Kumar Rathi**

Partner

Membership No.: 094591

Place: Bengaluru

Date: April , 2023

**Vishwakumara Kayargac Parag Naik**

Director

Director

DIN: 00751260

DIN: 01055996

Place: Bengaluru

Place: Bengaluru

Date: April , 2023

Date: April , 2023

Saankhya Labs Inc.

**Statement of cash flows for the year ended March 31, 2023**

(All amounts in US Dollars except for share data or as otherwise stated)

Particulars	Notes	For the year ended	
		March 31, 2023	March 31, 2022
<b>Cash flow from operating activities</b>			
<b>Profit before tax</b>		<b>-282,135</b>	<b>-155,982</b>
Adjustment for			
Amortisation of intangible assets	15	125,000	6,076
<b>Changes in assets and liabilities</b>			
(Increase)/decrease in trade receivables		-190,134	-176,470
(Increase)/decrease in other non current assets		-	-
(Increase)/decrease in other current assets		40,406	-47,706
Increase/(decrease) in trade payables		-243,908	151,324
Increase/(decrease) in other current liabilities		-	-
<b>Cash generated from operations</b>		<b>-550,771</b>	<b>-222,758</b>
Income taxes (paid)/ refund received			
<b>Net cash inflow/ (outflow) from operating activities</b>		<b>-550,771</b>	<b>-222,758</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>-550,771</b>	<b>-222,758</b>
Cash and cash equivalents at the beginning of the financial year	7	565,543	788,301
<b>Cash and cash equivalents at end of the year</b>		<b>14,772</b>	<b>565,543</b>

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

As per our report of even date.

for **M S K A & Co.**

Firm Registration Number: 117035W

*for and on behalf of Board of Directors of*  
**Saankhya Labs Inc**

**CA. Ashok Kumar Rathi**

Partner

Membership No.: 094591

Place: Bengaluru

Date: April , 2023

**Vishwakumar Kayargadde**

Director

DIN: 00751260

Place: Bengaluru

Date: April , 2023

**Parag Naik**

Director

DIN: 01055996

Place: Bengaluru

Date: April , 2023

Saankhya Labs Inc.

**Statement of Changes in equity for the year ended March 31, 2023**

*(All amounts in US Dollars except for share data or as otherwise stated)*

**Equity Share Capital**

Particulars	Amount
<b>As at April 1, 2021</b>	<b>1,250,000</b>
Issue of equity shares	-
<b>As at March 31, 2022</b>	<b>1,250,000</b>
Issue of equity shares	-
<b>As at March 31, 2023</b>	<b>1,250,000</b>

**Other Equity**

Particulars	Reserves and surplus	Other reserves	Total
	Retained earnings	Foreign currency translation reserve	
<b>Balance as at April 01, 2021</b>	<b>(693,455)</b>		<b>(693,455)</b>
Loss for the year	(155,982)		(155,982)
<b>Total comprehensive (loss)/income for the year</b>	<b>(849,437)</b>	-	<b>(849,437)</b>
<b>Balance as at March 31, 2022</b>	<b>(849,437)</b>	-	<b>(849,437)</b>
<b>Balance as at April 01, 2022</b>	<b>(849,437)</b>	-	<b>(849,437)</b>
Loss for the year	(282,135)	-	(282,135)
<b>Total comprehensive (loss)/income for the year</b>	<b>(1,131,572)</b>	-	<b>(1,131,572)</b>
<b>Balance as at March 31, 2023</b>	<b>(1,131,572)</b>	-	<b>(1,131,572)</b>

The accompanying notes form an integral part of the financial  
As per our report of even date.

for **M S K A & Co.**

Firm Registration Number: 117035W

*for and on behalf of Board of Directors of*

**Saankhya Labs Inc**

**CA. Ashok Kumar Rathi**

Partner

Membership No.: 094591

Place: Bengaluru

Date: April , 2023

**Vishwakumar Kayargadde**

Director

DIN: 00751260

Place: Bengaluru

Date: April , 2023

**Parag Naik**

Director

DIN: 01055996

Place: Bengaluru

Date: April , 2023

Saankhya Labs Inc.

Notes to statements as of and for the year from April 1, 2022 to March 31, 2023

(All amounts in US Dollars except for share data or as otherwise stated)

As on March 31, 2023

Particulars	Gross Block					Accumulated Depreciation					Net Block
	Opening Balance	Additions	Disposals	Assets Written Off	Closing Balance	Opening Balance	For the year	Eliminated on disposal of Asset	Assets Written Off	Closing Balance	Balance as at March 31, 2023
<b>Owned</b>											
<b>Plant &amp; Machinery</b>											
Computer and Accessories	-	-	-	-	-	-	-	-	-	-	-
Lab Equipment	-	-	-	-	-	-	-	-	-	-	-
<b>Furniture and Fixture</b>											
Furniture	-	-	-	-	-	-	-	-	-	-	-
<b>Tangible Assets Total</b>	-	-	-	-	-	-	-	-	-	-	-
<b>Intangible</b>											
IP Patent	125,000			125,000	-		125,000		125,000	-	-
<b>Intangible Assets Total</b>	<b>125,000</b>	-	-	<b>125,000</b>	-	-	<b>125,000</b>	-	<b>125,000</b>	-	-
<b>Grand Total</b>	<b>125,000</b>	-	-	<b>125,000</b>	-	-	<b>125,000</b>	-	<b>125,000</b>	-	-

As on March 31, 2022

Particulars	Gross Block					Accumulated Depreciation					Net Block
	Opening Balance	Additions	Disposals	Assets Written Off	Closing Balance	Opening Balance	For the year	Eliminated on disposal of Asset	Assets Written Off	Closing Balance	Balance as at March 31, 2023
<b>Owned</b>											
<b>Plant &amp; Machinery</b>											
Computer and Accessories	17,364	-	-	17,364	-	16,496	868	-	17,364	-	-
Lab Equipment	99,054	-	-	99,054	-	94,101	4,953	-	99,054	-	-
<b>Furniture and Fixture</b>											
Furniture	5,111	-	-	5,111	-	4,856	255	-	5,111	-	-
<b>Tangible Assets Total</b>	<b>121,529</b>	-	-	<b>121,529</b>	-	<b>115,453</b>	<b>6,076</b>	-	<b>121,529</b>	-	-
<b>Intangible</b>											
IP Patent	125,000				125,000					-	125,000
<b>Intangible Assets Total</b>	<b>125,000</b>	-	-	-	<b>125,000</b>	-	-	-	-	-	<b>125,000</b>
<b>Grand Total</b>	<b>246,529</b>	-	-	<b>121,529</b>	<b>125,000</b>	<b>115,453</b>	<b>6,076</b>	-	<b>121,529</b>	-	<b>125,000</b>

As on April 1, 2021

<b>Tangible Assets Total</b>	121,529	-	-	-	121,529	115,453	-	-	-	115,453	6,076
<b>Intangible Assets Total</b>	125,000	-	-	-	125,000	-	-	-	-	-	125,000
<b>April 1 2021</b>	<b>246,529</b>	-	-	-	<b>246,529</b>	<b>115,453</b>	-	-	-	<b>115,453</b>	<b>131,076</b>

**Saankhya Labs Inc.**

**Notes to financial statements as of and for the year from April 1, 2022 to March 31, 2023**

(All amounts in US Dollars except for share data or as otherwise stated)

	As at		
	March 31, 2023	March 31, 2022	April 1, 2021
<b>4 Current tax asset (net)</b>			
Opening Balance	82,500	82,500	82,500
Add: Taxes paid during the year	-	-	-
Les: Current tax payable for the year	-	-	-
<b>Closing Balance</b>	<b>82,500</b>	<b>82,500</b>	<b>82,500</b>
<b>5 Inventory</b>			
Finished goods	-	47,706	-
	-	<b>47,706</b>	-
Less: Provision	-	-	-
	-	<b>47,706</b>	-
<b>6 Trade receivables</b>			
Trade receivables from contract with customers	366,604	176,470	-
Less: Allowance for expeted credit loss	-	-	-
	<b>366,604</b>	<b>176,470</b>	-
Current	366,604	176,470	-
Non-current	-	-	-
<b>Aging of trade receivables</b>			
Undisputed trade receivables- considered good			
Unbilled	-	-	-
Not due	-	176,470	-
Outstanding for the following period from the due date			
Less than 6 months	345,134	-	-
6 months to 1 year	21,470	-	-
1-2 years	-	-	-
2-3 years	-	-	-
More than 3 years	-	-	-
	<b>366,604</b>	<b>176,470</b>	-
<b>Notes:</b>			
(a) There is no undisputed trade receivable which has significant increase in credit risk and receivables which are credit impaired as on March 31, 2023 and March 31, 2022.			
(b) There is no disputed trade receivables as on March 31, 2023 and March 31, 2022.			
<b>7 Cash and cash equivalents</b>			
Balance with bank			
- in current account			
Silicon Valley Bank	14,772	565,543	788,301
	<b>14,772</b>	<b>565,543</b>	<b>788,301</b>
<b>8 Other current assets</b>			
Advance to suppliers	7,300	-	-
	<b>7,300</b>	-	-

**Saankhya Labs Inc.**

**Notes to financial statements as of and for the year from April 1, 2022 to March 31, 2023**

(All amounts in US Dollars except for share data or as otherwise stated)

	As at		
	March 31, 2023	March 31, 2022	April 1, 2021
<b>11 Trade payables</b>			
Trade payables: micro and small enterprises	7,910	-	-
Trade payables: others	-	159,706	10,332
Trade payables to related parties	-	-	-
	<b>7,910</b>	<b>159,706</b>	<b>10,332</b>
<b>Aging of trade payables</b>			
<b>Undisputed trade payables- micro and small enterprises</b>			
Unbilled	7,300	-	-
Not due	610	-	-
Outstanding for the following period from the due date			
Less than 6 months	-	-	-
6 months to 1 year	-	-	-
1-2 years	-	-	-
2-3 years	-	-	-
More than 3 years	-	-	-
<b>Undisputed trade payables- Others</b>			
Unbilled	-	-	-
Not due	-	159,706	10,332
Outstanding for the following period from the due date			
Less than 6 months	-	-	-
6 months to 1 year	-	-	-
1-2 years	-	-	-
2-3 years	-	-	-
More than 3 years	-	-	-
	<b>7,910</b>	<b>159,706</b>	<b>10,332</b>

**Note**

- (a) There are no disputed trade payables as on March 31, 2023 and March 31, 2022.

**11.1 Dues to Micro Small and Medium Enterprises (MSMEs)**

The Company has certain dues to suppliers registered under Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED Act'). The disclosures pursuant to the said MSMED Act are as follows:

Particulars	As at		
	March 31, 2023	March 31, 2022	April 1, 2021
Principal amount due to suppliers registered under the MSMED Act and remaining unpaid as at year end <sup>1</sup>	7,910	-	-
Interest due to suppliers registered under the MSMED Act and remaining unpaid as at year end	-	-	-
Principal amounts paid to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-	-
Interest paid, under Section 16 of the MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-	-
Interest paid, other than under Section 16 of the MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-	-
Amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act	-	-	-
Interest accrued and remaining unpaid at the end of each accounting year	-	-	-
Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the MSMED Act	-	-	-

<sup>1</sup>Based on periodic circularisations by the Company and responses received from the suppliers, the Company identifies Micro and Small parties registered under the MSMED Act. The information above has been compiled by the management basis such identification. No delays in payments beyond the stipulated date prescribed under the MSMED Act have been identified for such vendors based on the acceptance dates for such goods/services as agreed by the concerned vendors.

**12 Other Liabilities**

Current

Advance received	344,838	436,950	435,000
	<b>344,838</b>	<b>436,950</b>	<b>435,000</b>

Saankhya Labs Inc.

Notes to financial statements as of and for the year from April 1, 2022 to March 31, 2023

(All amounts in US Dollars except for share data or as otherwise stated)

	As at		
	March 31, 2023	March 31, 2022	April 1, 2021
<b>9 Equity share capital</b>			
<b>Authorised, subscribed, issued and fully paid up</b>			
1,250,000 (2022: 1,250,000; 2021: 1,250,000) equity shares of USD 1 each	1,250,000	1,250,000	1,250,000
	<b>1,250,000</b>	<b>1,250,000</b>	<b>1,250,000</b>

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

	No. of shares	Amount
<b>Opening balance as on April 1, 2021</b>	<b>1,250,000</b>	<b>1,250,000</b>
Movement during the year	-	-
<b>Closing balance as on March 31, 2022</b>	<b>1,250,000</b>	<b>1,250,000</b>
<b>Opening balance as on April 1, 2022</b>	<b>1,250,000</b>	<b>1,250,000</b>
Movement during the year	-	-
<b>Closing balance as on March 31, 2023</b>	<b>1,250,000</b>	<b>1,250,000</b>

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

**Equity share holders:**

The Company has one class of equity shares having a par value of USD 1 each. Each shareholder is eligible for one vote per share held. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company in proportion to their shareholding.

(iii) Shares of the company held by holding company:

	As at		
	March 31, 2023	March 31, 2022	April 1, 2021
Saankhya Labs Private Limited	1,250,000	1,250,000	1,250,000

(iv) Details of shares held by each shareholder holding 5% or more shares:

	As at		
	March 31, 2023	March 31, 2022	April 1, 2021
<b>Saankhya Labs Private Limited</b>			
No. of Shares	1,250,000	1,250,000	1,250,000
Percentage	100%	100%	100%

**Saankhya Labs Inc.**

**Notes to financial statements as of and for the year from April 1, 2022 to March 31, 2023**

*(All amounts in US Dollars except for share data or as otherwise stated)*

**(v) Details of share holding pattern of the promoters at the end of the year.**

	As at		
	March 31, 2023	March 31, 2022	April 1, 2021
<b>Saankhya Labs Private Limited</b>			
No. of Shares	1,250,000	1,250,000	1,250,000
Percentage	100%	100%	100%
% change during the year	-	-	-

**(vi)** The Company has not allotted any equity shares pursuant to contract without payment received in cash during the period of 5 years immediately preceding March 31, 2023.

**(vii)** The Company has not issued any equity shares as fully paid-up by way of bonus shares during 5 years immediately preceding March 31, 2023.

**10 Other equity**

	As at		
	March 31, 2023	March 31, 2022	April 1, 2021
Retained earnings	-1,131,572	-849,437	-693,455
	<b>-1,131,572</b>	<b>-849,437</b>	<b>-693,455</b>

**10.1 Retained earnings**

	As at		
	March 31, 2023	March 31, 2022	April 1, 2021
<b>Opening balance</b>	<b>-849,437</b>	<b>-693,455</b>	<b>-693,455</b>
Loss for the year	-282,135	-155,982	-
<b>Closing balance</b>	<b>-1,131,572</b>	<b>-849,437</b>	<b>-693,455</b>

**Note:**

Retained earnings represents the profits/(loss) that the Company has earned till date.

Saankhya Labs Inc.

Notes to financial statements as of and for the year from April 1, 2022 to March 31, 2023

(All amounts in US Dollars except for share data or as otherwise stated)

	As at	
	March 31, 2023	March 31, 2022
<b>13 Revenue from operations</b>		
Sale of Product	-	21,470
Sale of Services	345,122	155,000
	<b>345,122</b>	<b>176,470</b>
<b>13.1 Unsatisfied long term contracts:</b>		
The company has not entered into any long term contracts. Hence, there are no unsatisfied long term contracts.		
<b>13.2 Reconciliation of revenue recognised with contract price</b>		
	For the year ended	
	March 31, 2023	March 31, 2022
Contract price	345,122	176,470
Adjustments for incentives	-	-
<b>Revenue from continuing operations</b>	<b>345,122</b>	<b>176,470</b>
<b>14 Changes in inventories of stock in trade</b>		
(i) Opening balance	47,706	-
Less: Closing balance	-	47,706
	<b>47,706</b>	<b>-47,706</b>
<b>15 Depreciation and amortisation</b>		
Depreciation of property, plant and equipments	-	6076
Amortisation of intangible assets	125,000	-
	<b>125,000</b>	<b>6,076</b>
<b>16 Other expenses</b>		
Professional charges	2,100	4,200
Auditors remuneration		
Statutory audit	610	-
Marketing expenses	36,500	92,000
Cost of Technical Services	408,569	266,127
Subscription charges	3,650	2,500
Bank Charges	1,471	2,194
Rates and taxes	1,650	7,061
	<b>454,550</b>	<b>374,082</b>
<b>17 Income tax expenses</b>		
Current tax	-	-
Deferred tax	-	-
	-	-
<b>18 Earnings/(Loss) per equity share</b>		
Profit attributable to equity holders of the company	-282,135	-155,982
No. of equity shares	1,250,000	1,250,000
Earnings/(Loss) per equity share		
Basic	-0.23	-0.12
Diluted	-0.23	-0.12

Saankhya Labs Inc.

Notes to financial statements as of and for the year from April 1, 2022 to March 31, 2023

(All amounts in US Dollars except for share data or as otherwise stated)

19 Fair value measurements

(a) Financial instruments by category

Particulars	March 31, 2023	March 31, 2022	April 1, 2021
<b>Financial assets</b>			
Measured at amortised cost			
Trade receivables	366,604	176,470	-
Cash and cash equivalents	14,772	565,543	788,301
<b>Total</b>	<b>381,376.53</b>	<b>742,013.00</b>	<b>788,301.00</b>
<b>Financial liabilities</b>			
Measured at amortised cost			
Trade payables	7,910	159,706	10,332
<b>Total</b>	<b>7,910</b>	<b>159,706</b>	<b>10,332</b>

(b) Fair value hierarchy

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable and consist of the following three levels:

Level 1 - The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The mutual funds are valued using the closing NAV. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2 – The fair value of financial instruments that are not traded in an active market (for example, traded bonds, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level

2. The fair value of derivative contracts are determined using the market approach considering forward exchange rates at the balance sheet date.

Level 3 - If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities, contingent consideration and indemnification asset included in level 3. The management considers that the carrying amount of financial assets and financial liabilities recognised in these financial statements at amortized cost approximate their fair values.

All the financial assets and liabilities are classified under Level 3 as on March 31, 2023, March 31, 2022 and April 1, 2021.

(c) Fair value of financial assets and liabilities measured at amortised cost

The carrying amount of trade receivables, cash and cash equivalents and trade payables are considered to be same as their fair value, due to their short term nature.

20 Financial risk management

The company's risk management is carried out by Treasury department under policies laid down by the management. The Company's activities expose it to credit risk and liquidity risk. Treasury department monitors the risk exposures on a periodical basis and reports to the Board of directors on the risks that it monitors and policies implemented to mitigate risk exposures.

Risk	Exposure arising from	Measurement	Management
Credit risk	Cash and cash equivalents; Trade receivables	Aging analysis and credit rating	Diversification of bank deposits and credit limits
Liquidity risk	Trade payables and other liabilities	Rolling cash flow forecasts	Availability of committed credit line and borrowing facilities

Saankhya Labs Inc.

Notes to financial statements as of and for the year from April 1, 2022 to March 31, 2023

(All amounts in US Dollars except for share data or as otherwise stated)

## 20 Financial risk management (contd.)

### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The company has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. Credit exposure is controlled by counterparty limits. Ongoing credit evaluation is performed on the financial condition of accounts receivable. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated. The company does not hold any collaterals to cover its risk associated with trade receivables.

Credit risk also arises from cash and cash equivalents, financial instruments and deposits with banks and financial institutions. The company has assessed the credit worthiness of Silicon Valley Bank(SVB) and noted that the amount held at SVB is recoverable.

The credit risk on derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

### Liquidity risk

Liquidity risk is the risk that the company could be unable to meet its short term financial demands. Ultimate responsibility for liquidity risk rests with the management, which has established an appropriate liquidity risk management framework for the management of the company's short-term, medium-term and long-term funding and liquidity management requirements. The company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual short term and long term cash flows, and by matching the maturity profiles of financial assets and liabilities.

## 21 Capital management

The Company's objectives when managing capital are to:

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- Maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

**Saankhya Labs Inc.****Notes to financial statements as of and for the year from April 1, 2022 to March 31, 2023***(All amounts in US Dollars except for share data or as otherwise stated)**(All amounts in Rupees Lakhs except for share data or as otherwise stated)***22 Financial ratios**

<b>Ratio</b>	<b>Numerator</b>	<b>Denominator</b>	<b>Current period</b>	<b>Previous period</b>	<b>% variance</b>	<b>Reason for variance</b>
Current ratio	Current assets	Current liabilities	1.10	1.32	-17%	Decrease is mainly due to increase in trade payables balance during the year.
Return on equity	Profit after tax	Avg. shareholders equity	(1.09)	(0.33)	234%	Increase is mainly due to increase in profit after tax during the year
Receivables turnover ratio	Total sales	Receivables	0.94	1.00	-6%	Decrease is mainly due to decrease in sales during the year
Payables turnover ratio	Total Expenses	Payables	79.30	2.08	3709%	Increase is mainly due to increase in expenses and decrease in trade payables balance during the year.
Net capital turnover ratio	Total sales	Current assets-Current liabilities	9.61	0.91	951%	Increase is mainly due to increase in sales during the year
Net profit ratio	Profit after tax	Total sales	(0.82)	(0.88)	-8%	Decrease is mainly due to increase in sales during the year
Return on capital employed	Profit before tax	Capital employed	(2.38)	(0.39)	512%	Increase is mainly due to decrease in profit before tax during the year
Return on investment	Profit after tax	Capital employed	(2.38)	(0.39)	512%	Increase is mainly due to decrease in profit after tax during the year

**Note:**

Debt equity ratio, debt service coverage ratio, inventory turnover ratio is not applicable to the company.

**Saankhya Labs Inc**

**Notes to the financial statements as of and for the year from April 1, 2022 to March 31, 2023**

*(All amounts in US Dollars except for share data or as otherwise stated)*

**23 First time adoption of Ind AS**

- i These are the Company's first financial statements prepared in accordance with Ind AS.
- ii The accounting policies set out in note 1 have been applied in the preparation of an opening Ind AS balance sheet at April 1, 2021 (the date of transition). In preparing its opening Ind AS balance sheet, the Company has adjusted the amounts reported previously in financial statements prepared in accordance with the accounting standards notified under Companies (Accounting Standards) Rules, 2006 (as amended) and other relevant provisions of the Act (previous GAAP or Indian GAAP). An explanation of how the transition from previous GAAP to Ind AS has affected the Company's financial position, financial performance and Cash flow is given below:

**iii Optional exemptions availed**

**A. Deemed cost**

Since, there is no change in the functional currency of the Company, it has opted to continue with the carrying values measured under the previous GAAP and use that carrying value as the deemed cost for property, plant and equipment, other intangible assets and investment properties on the date of transition.

**B. Leases**

As per Ind AS 116, whether contract contains lease assessment should be carried out at inception of the contract or arrangement. However, Company has used Ind AS 101 exemption and assessed all arrangements based for embedded leases based on conditions in place as at the date of transition (i.e. 01-04-2021).

**C. Share-Based Payment Transactions**

Ind AS 102 "Share-Based Payment" is not applied to equity instruments that vested before date of transition to Ind AS as per paragraph D2 of Ind AS 101.

**D. Compound financial instruments**

Ind AS 32 Financial Instruments: Presentation requires an entity to split a compound financial instrument at inception into separate liability and equity components. However, as the liability component is no longer outstanding at the date of transition to Ind ASs, company is not required adjust cumulative interest accreted on liability component in retained earnings as per paragraph D18 of Ind AS 101.

**iv Mandatory exceptions applied**

**A. Estimates**

The estimates as at 1 April 2021 are consistent with those made for the same dates in accordance with previous GAAP (after adjustment to reflect differences if any, in accounting policies) apart from the following items where the application of previous GAAP did not require estimation:

- (i) Impairment of financial assets based on the expected credit loss model; and
- (ii) Investments in equity instruments carried as FVPL or FVOCI.

The estimates used by the Company to present the amounts in accordance with Ind AS reflect conditions that existed at the date on transition to Ind AS.

**B. De-recognition of financial assets and liabilities**

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

The Company has applied the de-recognition provisions of Ind AS 109 prospectively from the date of transition to Ind AS (i.e. 01-04-2021).

**C. Classification and measurement of financial assets**

Ind AS 101 requires an entity to assess classification and measurement of financial assets on the basis of the facts and circumstances that exist at the date of transition to Ind AS (i.e. 01-04-2021).

**Saankhya Labs Inc****Notes to the financial statements as of and for the year from April 1, 2022 to March 31, 2023***(All amounts in US Dollars except for share data or as otherwise stated)***23 First time adoption of Ind AS (contd.)****Reconciliation of equity as at April 1, 2021****1. Reconciliation of Total Equity as at March 31, 2022 and April 1, 2021**

Particulars	Note	As at March 31, 2022	As at April 1, 2021
Total equity as per Indian GAAP		893,437	693,455
<b>Add/(Less): Adjustment under Ind AS</b>		-	-
<b>Equity Balance as per Ind AS</b>		<b>-849,437</b>	<b>-693,455</b>

**2. Reconciliation of Total Comprehensive Income for the year ended March 31, 2022**

Particulars	For the year ended March 31, 2022
Net Profit as per Indian GAAP	-155,982
<b>Add/(Less): Adjustment under Ind AS</b>	<b>-</b>
<b>Net Profit as per Ind AS</b>	<b>-155,982</b>
Other comprehensive income for the period	-
<b>Total comprehensive income under Ind AS</b>	<b>-155,982</b>

**Notes to the reconciliation of the equity as at 1st April, 2021****A. Other Comprehensive income**

Under earstwhile regime, the Company has not presented other comprehensive income (OCI) separately. Hence, it has reconciled I GAAP profit or loss as per Ind AS. Further, earstwhile regime profit or loss is reconciled to total comprehensive income as per Ind AS.

Retained earnings as at April 1, 2021 has been adjusted consequent to the above Ind AS transition adjustments.

**Reconciliation of Cash flows for the year ended March 31, 2022**

	Indian GAAP	Adjustment	Ind AS
Income from operating activities	-222,758	-	-222,758
Income from investing activities	-	-	-
Income from financing activities	-	-	-

**Saankhya Labs Inc.****Notes to the financial statements as of and for the year from April 1, 2022 to March 31, 2023***(All amounts in US Dollars except for share data or as otherwise stated)***24 Segment information**

The Company operates under single segment. Hence, segment reporting is not applicable.

**25 Related party transactions****A List of related parties:**

Name of the related party	Nature of relationship
Tata Sons Private Limited	Ultimate Holding Company (w.e.f July 01, 2022)
Panatone Finvest Limited	Intermediate holding Company (w.e.f July 01, 2022)
Tejas Networks Limited	Intermediate holding Company (w.e.f July 01, 2022)
Saankhya Labs Private Limited	Immediate Holding Company
Sinclair Broadcast Group	Entity with common control (upto June 30, 2022)
<b>Key managerial persons</b>	
Dr. Vishwakumara Kayargadde	Director
Parag Naik	Director

**B Transactions with related parties:**

Particular	For the year ended	
	March 31, 2023	March 31, 2022
<b>Revenue from operations</b>		
Saankhya Labs Private Limited	-	21,470
Sinclair Broadcast Group	345,122	155,000

**C Balances with related parties**

Particular	As at	
	March 31, 2023	March 31, 2022
<u>Trade receivables</u>		
Saankhya Labs Private Limited	21,470	21,470
Sinclair Broadcast Group	345,134	155,000

**26 Contingent liabilities and commitments**

The Company does not have any contingent liabilities and commitments as on March 31, 2023 and March 31, 2022.

**27 Other regulatory disclosures****Title deeds of immovable properties not held in name of the company**

The Company does not own any imovable property. Hence, reporting under this clause is not applicable to the Company.

**Registration of charges or satisfaction with Registrar of Companies**

There are no charges or satisfaction which are yet to be registered with the Registrar of Companies beyond the statutory period.

**Utilisation of borrowings availed from banks and financial institutions**

The Company has not borrowed any amount from banks and financial institutions. Hence, reporting under this clause is not applicable to the Company.

**Details of benami property held**

No proceedings have been initiated on or are pending against the group for holding benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and Rules made thereunder.

**Saankhya Labs Inc.**

**Notes to the financial statements as of and for the year from April 1, 2022 to March 31, 2023**

*(All amounts in US Dollars except for share data or as otherwise stated)*

**Borrowing secured against current assets**

The Company has not borrowed any amount from banks and financial institutions. Hence, reporting under this clause is not applicable to the Company.

Saankhya Labs Inc.

Notes to the financial statements as of and for the year from April 1, 2022 to March 31, 2023

(All amounts in US Dollars except for share data or as otherwise stated)

**27 Other regulatory disclosures (contd.)**

**Wilful defaulter**

The Company has not been declared wilful defaulter by any bank or financial institution or government or any government authority.

**Relationship with struck off companies**

The Company has no transactions with the companies struck off under Companies Act, 2013 or Companies Act, 1956.

**Compliance with number of layers of companies**

The Company has complied with the number of layers prescribed under the Companies Act, 2013.

**Compliance with approved scheme(s) of arrangements**

The Company has not entered into any scheme of arrangement which has an accounting impact on current or previous financial year.

**Utilisation of borrowed funds and share premium**

The company has not advanced or loaned or invested funds to any other person(s) or entity(ies), including foreign entities (Intermediaries) with the understanding that the Intermediary shall:

- a. directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the group (Ultimate Beneficiaries) or
- b. provide any guarantee, security or the like to or on behalf of the ultimate beneficiaries;

The company has not received any fund from any person(s) or entity(ies), including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the group shall:

- a. directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or
- b. provide any guarantee, security or the like on behalf of the ultimate beneficiaries.

**Undisclosed income**

There is no income surrendered or disclosed as income during the current or previous year in the tax assessments under the Income Tax Act, 1961, that has not been recorded in the books of account.

**Details of crypto currency or virtual currency**

The group has not traded or invested in crypto currency or virtual currency during the current or previous year.

**Valuation of PP&E, intangible asset and investment property**

The company has not revalued its property, plant and equipment or intangible assets or both during the current or previous year. Refer to Note 22 for disclosure on first time adoption of Ind AS.

28 Previous year's figures have been re-grouped/reclassified, wherever necessary, to conform to current year's classification.

for **M S K A & Co.**

Firm Registration Number: 117035W

for and on behalf of Board of Directors of

**Saankhya Labs Inc.**

**CA. Ashok Kumar Rathi**

Partner

Membership No.: 094591

Place: Bengaluru

Date: April , 2023

**Vishwakumara Kayargadde**

Director

DIN: 00751260

Place: Bengaluru

Date: April , 2023

**Parag Naik**

Director

DIN: 01055996

Place: Bengaluru

Date: April , 2023

## **Saankhya Labs Inc.**

### **Notes to the financial statements for the year ended March 31, 2023**

#### **1. Corporate Information**

Saankhya Labs Inc., ('the Company') was incorporated on February 14, 2012 under the provisions of the General Corporation Law of Delaware with the main object to develop, maintain, and service all types of communication systems, electronic products, semiconductor integrated circuits/ chips, micro controllers, digital signal processors, processing algorithms, embedded software and related hardware and software.

The Company is incorporated and domiciled in United States of America and has its office at California, USA

These financial statements have been approved by the Company's Board of Directors on April 2023.

#### **2. Significant Accounting Policies**

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

##### **2.1. Basis of preparation of financial statements**

###### **(i) Compliance with Ind AS**

The financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the Act) [Companies (Indian Accounting Standards) Rules, 2015 (as amended)] and other relevant provisions of the Act.

###### **(ii) Historical cost convention**

The financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities (including derivative instruments) that are measured at fair value;
- defined benefit plans - plan assets measured at fair value; and
- share-based payments measured at fair value.

###### **(iii) Operating cycle**

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

##### **2.2 Revenue Recognition:**

The Company is engaged in the business of Software and Hardware and to provide services and solutions.

Revenue from sale of products is recognised when control over products is transferred in accordance with the contractual terms of sale and there are no unfulfilled performance obligations that could affect the customer's acceptance of the products.

Revenue from services are recognised as and when such services are rendered.

If the services rendered by the Company exceed the payments from customers, a contract asset is recognised. If the payments received exceed the services rendered, a contract liability is recognised (which we refer to as deferred revenue).

## **2.3 Property, Plant and Equipment**

### **2.3.1 Measurement**

All items of property, plant and equipment are stated at historical cost less depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance expenses are charged to profit or loss during the reporting period in which they are incurred.

Assets acquired but not ready for use are classified under Capital work in progress and are stated at cost comprising direct cost and related incidental expenses.

### **2.3.2 Depreciation method, estimated useful lives and residual value**

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives.

<b><u>Asset</u></b>	<b><u>Useful Life</u></b>	<b><u>As per Companies Act</u></b>
Furniture & fixtures	5 years	10 years
Office equipment	5 years	5 years
Computing equipment	3 years	5 years
Leasehold Improvements	5 years	5 years

Based on a technical evaluation, the management believes that the useful lives of the above assets best represent the period over which the management expects to use these assets. Hence, the useful lives for these assets is different from the useful lives as prescribed under Schedule II to the Companies Act, 2013.

On transition to Ind AS, the Company has elected to continue with the carrying value of all of its property, plant and equipment recognised as at 01 April 2021 measured as per the previous GAAP and use that carrying value as the deemed cost of the property, plant and equipment.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The assets residual value and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. Net gains and losses are included in the statement of profit and loss within other income/ other expenses.

Individual assets costing less than Rs. 5,000/- are fully depreciated in the year of purchase.

## 2.4 Intangible Assets (including under development)

### 2.4.1 Software

Software is carried at cost less accumulated amortization and impairment losses, if any. The cost of software comprises its purchase price, including any import duties and other taxes (other than those subsequently recoverable from the taxation authorities), and any directly attributable expenditure on making the asset ready for its intended use and net of any trade discounts and rebates. Subsequent expenditure on software after its purchase is recognized as an expense when incurred unless it is probable that such expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standards of performance and such expenditure can be measured and attributed to the asset reliably, in which case such expenditure is added to the cost of the asset.

### 2.4.3 Amortization

The Company amortizes intangible assets with a finite useful life using the straight line method over the below periods:

<u>Asset</u>	<u>Useful Life</u>	<u>As per Companies Act</u>
Computer Software	1 year	6 years
Product development	2 years	6 years

## 2.5 Impairment of Non - financial assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets under development are tested for impairment on an annual basis. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that have suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

## 2.6 Financial instruments

Financial assets and financial liabilities are recognized when a Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

## 2.7 Investments and Other Financial assets

### 2.7.1 Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those measured at amortised cost.

The classification depends on entity's business model for managing the financial assets and the contractual terms of the cash flow.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

### **2.7.2 Recognition**

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sale the financial asset.

### **2.7.3 Subsequent Measurement**

#### **Debt instruments**

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

**Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as a separate line item in statement of profit and loss.

**Fair value through other comprehensive income (FVOCI):** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flow represent solely payments of principal and interest, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit and loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to the statement of profit and loss and recognised under other income/ other expenses. Interest income from these financial assets is included in other income using the effective interest rate method.

**Fair value through profit or loss (FVPL):** Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the statement of profit and loss in the period in which it arises. Interest income from these financial assets is included in other income.

#### **Equity instruments**

The Company subsequently measures all equity investments at fair value. Where the Company has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments are recognized in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in the statement of profit and loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

#### **2.7.4 Investment in Subsidiaries**

Investment in Subsidiaries is carried at cost.

#### **2.7.5 Impairment of financial assets**

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortised cost. The credit loss is the difference between all contractual cash flows that are due to an entity in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original effective interest rate. This is assessed on an individual or collective basis after considering all reasonable and supportable information including that which is forward-looking.

For trade receivables, the Company applies the simplified approach permitted by Ind AS 109 “Financial Instruments”, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

The losses arising from impairment are recognized in the Statement of Profit and Loss.

#### **2.7.6 Derecognition**

A financial asset is derecognized only when:

- the Company has transferred the rights to receive cash flows from the financial asset or
- retains the contractual rights to receive the cash flows of the financial asset but assumes a contractual obligation to pay the cash flows to one or more recipients.

Where the entity has transferred an asset, the Company evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognized. Where the entity has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognized.

Where the entity has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognized if the Company has not retained control of the financial asset. Where the Company retains control of the financial asset, the asset is continued to be recognized to the extent of continuing involvement in the financial asset.

#### **2.7.7 Income recognition**

##### **Interest Income**

Interest income from a financial asset at fair value through profit or loss is disclosed as interest income within other income. Interest income on financial assets at amortised cost and financial assets at Fair value through Profit and loss (FVTPL) is calculated using effective interest method and is recognised in statement of profit and loss as part of other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial asset the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

## **2.8 Financial liabilities**

### **2.8.1 Classification as liability or equity**

Financial liability and equity instruments issued by a Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

### **2.8.2 Subsequent Measurement**

Financial liabilities are subsequently measured at amortised cost using the effective interest rate method unless at initial recognition, they are classified as fair value through profit or loss (FVTPL).

### **2.8.3 Derecognition**

A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expires.

## **2.9 Trade Payables**

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are usually unsecured. Trade payables are presented as current liabilities unless payment is not due within twelve months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortised cost using the effective interest method.

## **2.11 Provisions and Contingencies**

Provisions are recognized when the Company has a present obligation (legal or constructive) as result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, considering the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

A disclosure for contingent liabilities is made where there is a possible obligation or a present obligation that may probably not require an outflow of resources or an obligation for which the future outcome cannot be ascertained with reasonable certainty. When there is a possible or a present obligation where the likelihood of outflow of resources is remote, no provision or disclosure is made.

## **2.12 Foreign Currency Transactions**

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

Items included in the financial statements of the entity are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in USD, which is the Company's functional and presentation currency.

### **(ii) Transactions and translations**

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such

transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in statement of profit and loss. A monetary item for which settlement is neither planned nor likely to occur in the foreseeable future is considered as a part of entity's net investment in that foreign operation. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

Foreign exchange differences arising on translation of foreign currency borrowings are presented in the statement of profit and loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit and loss on a net basis within other income or other expense.

## **2.13 Earnings per equity share**

### **(i) Basic earnings per share**

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company
- by the weighted average number of equity shares outstanding during the financial year, adjusted for bonus elements in equity shares issued during the year and excluding treasury shares.

### **(ii) Diluted earnings per share**

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential equity shares, and
- the weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.
- potentially issuable equity shares, that could potentially dilute basic earnings per share, are not included in the calculation of diluted earnings per share when they are anti-dilutive for the period presented.

## **2.14 Income taxes**

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. The Company measures its tax balances for uncertain tax positions either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred tax asset on Minimum Alternate Tax (MAT) credit is recognised only when it is probable 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 deferred tax asset relating to MAT credit is written down to the extent there is no longer a convincing evidence that the Company will pay normal income tax during the specified period. Similarly the deferred tax asset relating to MAT credit is adjusted

upwards if the previously unrecognised MAT credit is considered recoverable due to higher anticipated future taxable profit.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit (tax loss). Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized for all deductible temporary differences and for unused tax losses only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously within the same jurisdiction.

Current and deferred tax is recognized in statement of profit and loss, except to the extent that it relates to item recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

## **2.15 Employee Benefits**

### **(i) Short-term employee benefits**

Liabilities for wages and salaries and performance incentives that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

## **2.16 Cash Flow Statement**

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

## **2.17 Segment Reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (CODM).

## **2.18 Leases**

As a lessee

"Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments
- amount expected to be payable under residual value guarantees

- the exercise price of a purchase option if it is reasonably certain that the Company will exercise that option"

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally, the case for lessees, the lessee's incremental borrowing rate used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

"To determine the incremental borrowing rate, the Company:

- a) where possible, uses recent third-party financing received as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- b) uses a build-up approach that starts with a risk free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third party financing, and
- c) makes adjustments specific to the lease, e.g. term, country, currency and security. "

Lease payments are allocated between principal and finance cost. The finance cost is charged in the Statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Variable lease payments are recognised in profit or loss in the period in which the condition that triggers those payment occurs.

"Right of use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date,
- any initial direct costs, and
- restoration cost"

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short term leases and all leases of low value assets are recognised on a straight line basis as an expense in profit or loss. Short term leases are leases where the lease term is 12 months or less.

Sub Lease: Sub Lease income is recognised on accrual basis.

## **2.20 Inventories**

Inventories (raw material - components including assemblies and sub assemblies) are stated at the lower of cost and net realisable value. Cost of inventory includes cost of purchases and all other costs incurred in bringing the inventories to their present location and condition. Costs are assigned to individual items of inventory on the basis of weighted average method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

## **2.21 Trade Receivables**

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing component, when they are recognised at fair

value. The Company holds trade receivable with the objective to collect contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less loss allowance.

The Company classifies the right to consideration in exchange for deliverables as either a receivable or as unbilled revenue.

A receivable is a right to consideration that is conditional only upon passage of time. Revenue in excess of billings is recorded as unbilled revenue and is classified as a financial asset as only the passage of time is required before the payment is due.

Invoicing in excess of earnings are classified as contract liabilities which is disclosed as deferred revenue.

Trade receivables and unbilled revenue are presented net of impairment in the Balance Sheet.

## **2.22 Cash and cash equivalents**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## **2.25 Contributed Equity**

Equity shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax from the proceeds.

## **2.27 Exceptional Items**

When an item of income or expense within Statement of profit and loss from ordinary activity is of such size, nature or incidence that its disclosure is relevant to explain the performance of the Company for the year, the nature and amount of such items is disclosed as exceptional items.

## **2.28 Rounding of amounts**

All amounts disclosed in the financial statements and notes have been rounded off to the nearest crore with two decimals as per the requirement of Schedule III, unless otherwise stated.

## **3 Critical estimates and judgments**

"The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgment in applying the Company's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgment or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed. Detailed information about each of these estimates and judgments is included in relevant notes together with information about the basis of calculation for each affected line item in the financial statements."

The areas involving critical estimates and judgments are:

- Intangible assets - Refer note 4(b)

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances.