

INDEPENDENT AUDITOR'S REPORT

To the Members of Capillary Technologies India Private Limited

Report on the Audit of the Financial Statements**Opinion**

We have audited the accompanying financial statements of Capillary Technologies India Private Limited ("the Company"), which comprise the Balance sheet as at March 31, 2020, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013, as amended ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, its profit and its cash flows for the year ended on that date.

Basis for Opinion

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

Emphasis of Matter

(i) We draw attention to Note 34 to the accompanying financial Statements for the year ended March 31, 2020, which describes the uncertainties and the management's assessment of the financial impact of the outbreak of Corona virus (COVID-19) on the business operations, liquidity position and recoverability of assets of the Company. In view of the highly uncertain economic environment, a definitive assessment of the aforesaid impact in the subsequent periods is dependent upon circumstances as they evolve.

Our opinion is not modified in respect of the aforesaid matter.

Information Other than Financial Statements and Auditor's Report Thereon

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.



Responsibility of Management for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that 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 Companies (Accounting Standards) Rules, 2006 (as amended) specified under section 133 of the Act, read with the Companies (Accounts) Rules, 2014 (as amended). This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure I" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the aforesaid financial statements comply with the Companies (Accounting Standards) Rules, 2006 (as amended) specified under section 133 of the Act, read with the Companies (Accounts) Rules, 2014 (as amended);
 - (e) The matter described in the Emphasis of matter paragraph above, in our opinion, may have an adverse effect on the functioning of the Company;
 - (f) On the basis of the written representations received from the directors as on March 31, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164 (2) of the Act;
 - (g) With respect to the adequacy of the internal financial controls over financial reporting of the Company with reference to these financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure II" to this report;
 - (h) The provisions of section 197 read with Schedule V of the Act are not applicable to the Company for the year ended March 31, 2020;




S.R. BATLIBOI & ASSOCIATES LLP

Chartered Accountants

- (i) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company does not have any pending litigations which would impact its financial position;
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

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


per Sandeep Kamani
Partner
Membership Number: 061207
UDIN: 20061207AAAAHD5747

Place of Signature: Bengaluru
Date: December 30, 2020



S.R. BATLIBOI & ASSOCIATES LLP

Chartered Accountants

Annexure I referred to in clause I of paragraph on the report on 'Other Legal and Regulatory Requirements' of our report of even date

Re: Capillary Technologies India Private Limited ('the Company')

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment;
- (b) Property, plant and equipment have not been physically verified by the management during the year, hence, we are unable to comment on the discrepancies, if any;
- (c) According to the information and explanations given to us by the management, there are no immovable properties, included in property, plant and equipment of the Company and accordingly, the requirements under clause 3(i) (c) of the Companies (Auditor's report) Order, 2016 ('the Order') are not applicable to the Company and hence not commented upon.
- (ii) The Company's business does not involve inventories, and accordingly, the requirements under paragraph (ii) of the Order pertaining to physical verification of inventories are not applicable to the Company.
- (iii) According to the information and explanations given to us by the management, the Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013 ('the Act'). Accordingly, the provisions of clause 3(iii) (a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us by the management, there are no loans, investments, guarantees and securities granted in respect of which provisions of section 185 and 186 of the Act are applicable and hence not commented upon.
- (v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable and hence not commented upon.
- (vi) To the best of our knowledge and as explained, the Company is not in the business of sale of any goods. Therefore, in our opinion, the provisions of clause 3(vi) of the Order are not applicable to the Company.
- (vii) (a) Undisputed statutory dues including provident fund, employees state insurance, duty of customs, goods and service tax, cess and other material statutory dues as applicable to the Company have generally been regularly deposited with the appropriate authorities though there have been serious delays in remittance of income tax in a few cases.
- (b) According to the information and explanations given to us by the management, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, duty of customs, goods and service tax, cess and other statutory dues as applicable to the Company were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us by the management, there are no dues outstanding of income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, goods and service tax and cess which have not been deposited on account of any dispute.
- (viii) In our opinion and according to the information and explanations given to us by the management, the Company has not defaulted in repayment of loans or borrowings to a financial institution or a bank. The Company did not have any outstanding loans or borrowings in respect of government or dues to debenture holders during the year.



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- (ix) According to the information and explanations given to us by the management, the Company has not raised any money by way of initial public offer / further public offer. In our opinion and according to the information and explanation given to us by the management, the Company has utilized the monies raised by way of term loans for the purposes for which they were raised by the Company.
- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given to us by the management, we report that no fraud by the Company or no fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.
- (xi) According to the information and explanations given to us by the management, the provisions of section 197 read with Schedule V of the Act are not applicable to the Company and hence reporting under clause 3(xi) of the Order is not applicable and hence not commented upon.
- (xii) In our opinion, the Company is not a Nidhi Company. Therefore, the provisions of clause 3(xii) of the Order is not applicable to the Company and hence not commented upon.
- (xiii) According to the information and explanations given to us by the management, transactions with the related parties are in compliance with section 188 of the Act, where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards. The provisions of section 177 of the Act are not applicable to the Company and accordingly reporting under clause 3(xiii) of the Order insofar as it relates to section 177 of the Act is not applicable to the Company and hence not commented upon.
- (xiv) According to the information and explanations given to us by the management and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) of the Order are not applicable to the Company and, hence not commented upon.
- (xv) According to the information and explanations given to us by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of the Act.
- (xvi) According to the information and explanations given to us by the management, the provisions of section 45-1A of the Reserve Bank of India Act, 1934 are not applicable to the Company and hence not commented upon.

For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI firm registration number: 101049W/ E300004


per Sandeep Karnani
Partner
Membership Number: 061207
UDIN: 20061207AAAAHD5747



Place: Bengaluru
Date: December 30, 2020

Annexure II to the Independent auditor's report of even date on the financial statements of Capillary Technologies India Private Limited

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

We have audited the internal financial controls over financial reporting of Capillary Technologies India Private Limited ("the Company") as of March 31, 2020 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the 'Guidance Note') 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 Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting with reference to these financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing as specified under section 143(10) of the Act, to the extent 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 with reference to these financial statements was established and maintained and if such controls operated effectively in all material respects.

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

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



S.R. BATLIBOI & ASSOCIATES LLP

Chartered Accountants

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

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

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

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

Opinion

In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting with reference to these financial statements and such internal financial controls over financial reporting with reference to these financial statements were operating effectively as at March 31, 2020, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

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



per Sandeep Karnani
Partner

Membership Number: 061207
UDIN: 20061207AAAHD5747



Place: Bengaluru
Date: December 30, 2020

Capillary Technologies India Private Limited
 Corporate Identity Number :U72200KA2012PTC063060
 Balance Sheet as at March 31, 2020

	Notes	(Amount in Rs.)	
		March 31, 2020	March 31, 2019
Equity and liabilities			
Shareholders' funds			
Share capital	3	23,333,790	23,333,790
Reserves and surplus	4	85,678,271	39,695,578
		109,012,061	63,029,368
Non-current liabilities			
Long-term borrowings	5	150,940,000	16,363,636
Long-term provisions	6	19,622,099	20,861,662
Other non-current liabilities	7	2,365,334	148,528
		172,927,433	37,373,826
Current liabilities			
Short-term borrowings	8	76,812,458	99,806,752
Trade payables			
Total outstanding dues of micro enterprises and small enterprises	9	1,800,837	849,635
Total outstanding dues of creditors other than micro enterprises and small enterprises	9	235,710,575	311,130,111
Other current liabilities	9	105,266,994	128,879,816
Short-term provisions	6	32,872,308	40,368,662
		452,463,172	581,034,976
Total		734,402,666	681,438,170
Assets			
Non-current assets			
Property, plant and equipment	10	10,579,158	19,546,746
Intangible assets	11	4,297,432	2,020,442
Loans and advances	12	156,664,909	121,471,369
Other non-current assets	15	63,331,359	50,590,188
		234,872,858	193,628,745
Current assets			
Trade receivables	13	397,384,120	319,730,702
Cash and bank balances	14	47,900,080	69,679,839
Loans and advances	12	34,490,079	67,040,114
Other current assets	15	19,755,529	31,358,770
		499,529,808	487,809,425
Total		734,402,666	681,438,170

Summary of significant accounting policies 2.1

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

As per our report of even date

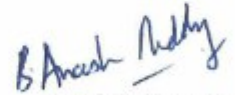
For S.R. Batliboi & Associates LLP
 Chartered Accountants
 ICAI firm registration number: 101049W/ E300004



 per Sandeep Karnani
 Partner
 Membership No: 061207



Place: Bengaluru
 Date: December 30, 2020

For and on behalf of the Board of Directors of
 Capillary Technologies India Private Limited


 Anesh Reddy Boddu
 Director
 DIN: 02214511


 Anant Choubey
 Director
 DIN: 06536413



Place: Bengaluru
 Date: December 30, 2020

Place: Bengaluru
 Date: December 30, 2020

Capillary Technologies India Private Limited
 Corporate Identity Number : U72200KA2012PTC063060
 Statement of profit and loss for the year ended March 31, 2020

	Notes	(Amount in Rs.)	
		March 31, 2020	March 31, 2019
Income			
Revenue from operations	16	1,661,233,883	1,731,485,832
Other income	17	11,519,326	12,943,035
Total income (i)		1,672,753,209	1,744,428,867
Expenses			
Cost of campaign services		225,764,827	265,082,178
Legal and professional fees		143,860,225	190,257,008
Employee benefit expenses	18	939,529,067	926,789,072
Other expenses	19	278,173,044	370,900,451
Depreciation and amortisation expenses	20	12,718,509	16,819,632
Finance costs	21	26,724,844	28,660,027
Total expenses (ii)		1,626,770,516	1,798,508,368
Profit / (loss) before tax expenses [(i - ii)]		45,982,693	(54,079,501)
Tax expenses			
Current tax		-	-
Deferred tax		-	-
Total tax expenses		-	-
Profit / (loss) for the year		45,982,693	(54,079,501)
Earnings per equity share [nominal value of share Rs.10 each (March 31, 2019 : Rs 10 each)] Basic and diluted	24	19.71	(23.18)

Summary of significant accounting policies 2.1

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

As per our report of even date


For S.R. Batliboi & Associates LLP
 Chartered Accountants
 ICAI firm registration number: 101049W/ E300004


 per Sandeep Kamani
 Partner
 Membership No: 061207




Place: Bengaluru
 Date: December 30, 2020

For and on behalf of the Board of Directors of
 Capillary Technologies India Private Limited


 Aneesh Reddy Boddu
 Director
 DIN: 02214511

Place: Bengaluru
 Date: December 30, 2020


 Anant Choubey
 Director
 DIN: 06536413

Place: Bengaluru
 Date: December 30, 2020

	(Amount in Rs.)	
	March 31, 2020	March 31, 2019
A. Cash flow from operating activities		
Profit / (loss) before tax expenses	45,982,693	(54,079,501)
Adjustments to reconcile (loss) / profit before tax to net cash flows		
Depreciation and amortisation expenses	12,718,509	16,819,632
Provision for doubtful trade receivables and advances (including bad debts written off) (refer note 22)	43,466,910	22,949,680
Advances/ deposits written off	3,527,052	1,107,526
Profit on sale of property, plant and equipment	(7,601)	-
Provision/ liabilities no longer required, written back	(1,763,897)	(1,065,421)
Profit on sale of current investments (net)	-	(116,201)
Unrealised exchange differences (net)	6,128,506	(3,799,015)
Interest income	(9,747,828)	(1,412,065)
Finance costs	26,724,844	28,660,027
Operating profit before working capital changes	127,029,188	9,064,662
Movements in working capital:		
(Increase) / decrease in trade receivables	(115,834,058)	(15,701,038)
(Increase) / decrease in loans and advances	16,344,241	(14,086,130)
(Increase) / decrease in other assets	11,948,160	(10,640,251)
Increase / (decrease) in provisions, trade payables and other liabilities	(55,145,842)	(15,985,004)
Cash generated (used in) / from operations	(15,658,311)	(47,348,661)
Direct taxes paid (net of refunds)	(16,514,706)	(62,405,850)
Net cash flow (used in) / from operating activities (A)	(32,173,017)	(109,754,511)
B. Cash flow from investing activities		
Expenditure on property, plant and equipment including intangible assets and intangible assets under development	(5,694,936)	(21,017,394)
Proceeds from sale of property, plant and equipment	7,601	-
Sale of current investments (net)	-	1,031,201
Interest received	4,104,881	1,412,065
Investment in deposits having maturity more than 3 months	(12,741,171)	(41,599,007)
Net cash flow (used in) / from investing activities (B)	(14,323,625)	(60,173,135)
C. Cash flow from financing activities		
Proceeds from long-term borrowings	139,280,000	65,000,000
Repayment of long-term borrowings	(65,452,592)	(66,931,809)
(Repayment) / proceeds of short term borrowings (net)	(22,994,294)	16,189,508
Finance costs	(26,116,231)	(27,751,241)
Net cash flow from / (used in) financing activities (C)	24,716,883	(13,493,542)
Net (decrease) / increase in cash and cash equivalents (A+B+C)	(21,779,759)	(183,421,188)
Cash and cash equivalents at the beginning of the year	69,679,839	253,101,027
Cash and cash equivalents at the end of the year	47,900,080	69,679,839
Components of cash and cash equivalents		
Cash on hand	-	2,658
Balances with banks		
- On current accounts	47,900,080	69,677,181
Total cash and cash equivalents (refer note 14)	47,900,080	69,679,839

Notes:

- The above cash flow statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard-3 on Cash Flow Statements of the Companies (Accounting Standards) Rules, 2006 (as amended) specified under section 133 of Act, read with the Companies (Accounts) Rules, 2014 (as amended).
- The above cash flow statement has been compiled from and is based on the balance sheet as at March 31, 2020 and the related statement of profit and loss for the year ended on that date.
- Previous year's figures have been regrouped and reclassified, wherever necessary to conform to those of the current year's classification. (refer note 38)

Summary of significant accounting policies

2.1

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

As per our report of even date

For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI firm registration number: 101049W/ E300004


Sandeep Kamani
Partner
Membership No: 061207



Place: Bengaluru
Date: December 30, 2020

For and on behalf of the Board of Directors of
Capillary Technologies India Private Limited


Anesh Reddy Boddu
Director
DIN: 02214511


Anant Choubey
Director
DIN: 06536413



Place: Bengaluru
Date: December 30, 2020

Place: Bengaluru
Date: December 30, 2020

1. Corporate information

Capillary Technologies India Private Limited ('Company' or 'CTIPL') was originally incorporated on March 15, 2012 as Kharagpur Technologies Private Limited. CTIPL is engaged in the business of providing cloud based intelligent customer engagement software solutions to retail chain operators. The Company also provides technical, analytical and other support services to group companies.

2. Basis of preparation

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in India ('Indian GAAP'). The Company has prepared these financial statements to comply in all material respects with the accounting principles generally accepted in India including the Companies (Accounting Standards) Rules 2006 (as amended) specified under section 133 of the Act, read with the Companies (Accounts) Rules, 2014 (as amended). The financial statements have been prepared on an accrual basis and under the historical cost convention.

The accounting policies adopted in the preparation of financial statements are consistent with those of previous year.

2.1 Summary of significant accounting policies

i. Use of estimates

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

ii. Fixed assets

Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalization criteria are met, directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

Subsequent expenditure related to an item of property, plant and equipment is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing property, plant and equipment, including day-to-day repairs and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

Gains or losses arising from derecognition of property, plant and equipment are measured as the difference between the net disposal proceeds and the carrying amount of the property, plant and equipment and are recognised in the statement of profit and loss when the property, plant and equipment is derecognised.

The Company identifies and determines cost of asset significant to the total cost of the asset having useful life that is materially different from that of the remaining life.

Intangible assets

Intangible assets (computer software and distributorship rights) acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the statement of profit and loss in the year in which the expenditure is incurred.

Gains or losses arising from derecognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the intangible assets and are recognised in the statement of profit and loss when the assets are derecognised.



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Research and development costs

Research costs are expensed as incurred. Development expenditure incurred on an individual project is recognized as an intangible asset when the company can demonstrate all the following:

- i. The technical feasibility of completing the intangible asset so that it will be available for use or sale
- ii. Its intention to complete the asset
- iii. Its ability to use or sell the asset
- iv. How the asset will generate future economic benefits
- v. The availability of adequate resources to complete the development and to use or sell the asset
- vi. The ability to measure reliably the expenditure attributable to the intangible asset during development.

iii. Depreciation/amortisation on property, plant and equipment/ intangibles

Depreciation on property, plant and equipment is calculated using written down value method using the rates arrived at, based on useful lives estimated by the management, which coincides with the lives prescribed under Schedule II of the Act except in case of intangible assets whose useful lives are as stated below.

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

Sl. No.	Block	Useful lives estimated by the management (in years)
1	Office equipments	5
2	Computers	3
3	Furniture and fixtures	10

The identified components, if any, are depreciated over their useful life and the remaining assets are depreciated over the principal asset.

Leasehold improvements are amortized over the remaining primary period of lease or its estimated useful life, whichever is lower, on a straight-line basis.

Computer software is amortized over the useful life of 5 years on written down value basis, as estimated by the management.

Distributorship rights is amortized over a period of 3 years and goodwill is amortized over a period of 5 years, as estimated by the management.

iv. Leases

Where the Company is lessee

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

v. Borrowing costs

Borrowing costs include interest and ancillary costs incurred in connection with the arrangement of borrowings.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.



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vi. Investments

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

On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties. If an investment is acquired, by the issue of shares or other securities, the acquisition cost is the fair value of the securities issued. If an investment is acquired in exchange for another asset, the asset is determined by reference to the fair value of the asset given up or by reference to the fair value of the investment acquired, whichever is more clearly evident.

Current investments are carried in the financial statements at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

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

vii. Impairment of property, plant and equipment and intangible assets

The carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/ external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and risks specific to the asset.

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

viii. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Income from operations is net of goods and service tax/ service tax.

The following specific criteria must also be met before revenue is recognized:

Income from Services

CTIPL is engaged in the business of providing cloud based intelligent customer engagement software solutions to retail chain operators. Revenue is recognized on an accrual basis as and when services are rendered in accordance with the arrangement with the external customers.

CTIPL provides one-time installation services that are bundled together with the retainer services. CTIPL recognizes revenue from installation services over time because the customer simultaneously receives and consumes the benefits provided to them. CTIPL uses an input method in measuring progress of the installation services because there is a direct relationship between the CTIPL's effort and the transfer of service to the customer. CTIPL recognizes revenue on the basis of milestone achieved which correlates with hours expended relative to the total expected hours to complete the service.

CTIPL provides SMS campaign services that are bundled together with the retainer services. CTIPL recognises revenue based on the usage of messaging services i.e., when CTIPL's services are used based on the specific terms of the contract with customers.

The Company also provides technical, analytical and other support services to group companies. Revenue is recognized on an accrual basis as and when services are rendered in accordance with the arrangement with the group companies i.e. basis cost plus agreed mark up.

Billing in excess of revenue pertains to amounts billed to customer for services to be rendered in future periods and has been disclosed under 'other current liabilities' as unearned revenue or advances from customers.



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Interest income is recognized on a time proportion basis taking into account the amount outstanding and the applicable interest rate. Interest income is included under the head 'other income' in the Statement of Profit and Loss.

ix. Foreign currency translation

Foreign currency transactions and balances

a) Initial recognition

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

b) Conversion

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

c) Exchange differences

Exchange differences arising on settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

x. Retirement and other employee benefits

a) Defined contribution plan

Retirement benefits in the form of provident fund are defined contribution schemes. The Company has no obligation, other than the contributions payable to the provident fund. The Company recognizes contribution payable to the provident fund as expenditure, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

b) Defined benefit plan

Gratuity liability is a defined benefit obligation and is provided on the basis of actuarial valuation, based on projected unit credit method at the balance sheet date, carried out by an independent actuary. Actuarial gains and losses comprise experience adjustments and the effect of changes in the actuarial assumptions and are recognized in full in the period in which they occur in the statement of profit and loss as an income or expense.

c) Short term employee benefits

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

d) Other long term employee benefits

The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/ losses are immediately taken to the statement of profit and loss and are not deferred. The Company presents the entire leave as a current liability in the



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Notes to the financial statements for the year ended March 31, 2020

balance sheet, since it does not have an unconditional right to defer its settlement for twelve months after the reporting date.

xi. Income taxes

Tax expense comprises of current and deferred tax. Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961 ('IT Act') enacted in India. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date.

Deferred tax liabilities are recognized for all taxable timing differences. Deferred tax assets are recognized for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

At each reporting-date, the Company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax assets are reviewed at each reporting date. The Company writes-down the carrying amount of deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

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

xii. Segment Reporting

a) Identification of segments

The Company's operating businesses are organised and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which major operating divisions of the Company operate.

b) Allocation of common costs

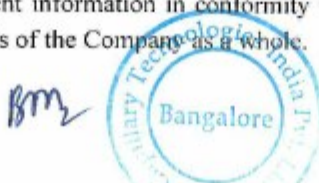
Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

c) Unallocated items

Unallocated items include general corporate income and expense items which are not allocated to any geographical segment.

d) Segment accounting policies

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



xiii. Earnings per share

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

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

xiv. Provisions

A provision is recognized when the Company has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit and loss net of any reimbursement.

xv. Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

xvi. Cash and cash equivalents

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



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3 Share capital

	(Amount in Rs.)	
	March 31, 2020	March 31, 2019
Authorised shares		
2,500,000 (March 31, 2019: 2,500,000) equity shares of Rs 10 each	25,000,000	25,000,000
Issued, subscribed and fully paid-up shares		
2,333,379 (March 31, 2019: 2,333,379) equity shares of Rs 10 each fully paid up	23,333,790	23,333,790
Total issued, subscribed and fully paid-up share capital	23,333,790	23,333,790

(a) Reconciliation of the shares outstanding at the beginning and at the end of the year
 Equity shares

	March 31, 2020		March 31, 2019	
	Number	Amount in Rs.	Number	Amount in Rs.
At the beginning of the year	2,333,379	23,333,790	2,333,379	23,333,790
Outstanding at the end of the year	2,333,379	23,333,790	2,333,379	23,333,790

(b) Terms / rights attached to equity shares

The Company has only one class of equity shares having a par value of Rs.10 per share. Each holder of equity shares is entitled to one vote per share. 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 Annual General Meeting. In the event of liquidation of the Company, the holders of equity shares would be entitled to receive 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 the shareholders.

(c) Shares held by the Holding / Ultimate Holding Company and / or their subsidiaries / associates

Out of the equity shares issued by the Company, shares held by its Holding Company, Ultimate Holding Company and their subsidiaries / associates are as below

	(Amount in Rs.)	
	March 31, 2020	March 31, 2019
Capillary Technologies International Pte Ltd, Singapore, the Holding Company		
2,333,379 (March 31, 2019: 2,333,379) equity shares of Rs 10 each fully paid*	23,333,790	23,333,790

* Includes 1 share held by Abhijeet Vijayvergiya of Capillary Technologies India Private Limited (as a nominee)

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

	March 31, 2020		March 31, 2019	
	Number	% holding	Number	% holding
Capillary Technologies International Pte Ltd, Singapore, the Holding Company	2,333,379	100.00%	2,333,379	100.00%
Equity shares of Rs 10 each fully paid				

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

* Includes 1 share held by Abhijeet Vijayvergiya of Capillary Technologies India Private Limited (as a nominee)

4 Reserves and surplus

	(Amount in Rs.)	
	March 31, 2020	March 31, 2019
Securities premium account		
Balance as per the last financial statements	949,717,859	949,717,859
Closing balance (A)	949,717,859	949,717,859
(Deficit) / surplus in the statement of profit and loss*		
Balance as per last financial statements	(910,022,281)	(855,942,780)
Profit/ (loss) for the year	45,982,693	(54,079,501)
Net (deficit) / surplus in the statement of profit and loss (B)	(864,039,588)	(910,022,281)
Total reserves and surplus (A+B)	85,678,271	39,695,578

* The Company has incurred losses including cash losses in the previous year which resulted in substantial erosion of networth of the Company. Though the networth of the Company is substantially eroded, the management of the Company basis its business plan as approved by the Board of Directors expects that there will be a significant increase in the operations of the Company that will lead to improved cash flows and long term sustainability and the Company will be able to generate sufficient profit in future years to meet the operational requirements as they arise and to meet its liabilities as and when they fall due. In the meantime, the Holding company has committed to provide financial and operational support to the Company for its continued operations in the foreseeable future. Accordingly, the financial statements of the Company have been prepared on a going concern basis and do not include any adjustments relating to the carrying amount and classification of assets or the amounts and classification of liabilities that may be necessary if the entity is unable to continue as a going concern.

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5 Long-term borrowings

	(Amount in Rs.)			
	Non-current portion		Current maturities	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Term loans				
Indian rupee term loans from others (secured) ¹	-	16,363,636	16,365,599	65,454,555
External Commercial Borrowing (ECB) from Holding Company (unsecured) ² (refer note 22)	150,940,000	-	-	-
	150,940,000	16,363,636	16,365,599	65,454,555
The above amount includes				
Secured borrowings	-	16,363,636	16,365,599	65,454,555
Unsecured borrowings	150,940,000	-	-	-
Less: Amount disclosed under the head 'Other current liabilities' (refer note 9)	-	-	(16,365,599)	(65,454,555)
Net amount	150,940,000	16,363,636	-	-

1. Indian rupee term loans from others carries interest 14.5% per annum (p.a) and is payable on a monthly basis. These loans are secured by hypothecation of existing, future, fixed and current asset, including any and all intellectual property and the intellectual property rights with respect to those movables present and future, accounts, cash flows, receivables, book debts, revenues, equipment, inventory, contract rights or rights to payments of money, leases, license agreements, franchise agreements, goodwill, uncalled capital, general intangibles, documents, instruments (including any promissory notes), chattel paper (whether tangible or electronic), cash, deposit accounts, fixtures, letter of credit rights (whether or not the letter of credit is evidenced by a writing), securities, and all other investment property, supporting obligations, and financial assets, whether now owned or hereafter acquired, whether installed or not and whether now lying loose or in cases or which are now lying or stored in or about or to be stored in or about the Company's factories, premises and godowns held by any party to the order or disposition of the Company, including in the course of transit, whether in ship or land, and all Company's books relating to the foregoing, and any and all claims, rights and interests in any of the above and all substitutions for, additions, attachments, accessories, accessions and improvements to and replacements, products, proceeds and insurance proceeds of any or all of the foregoing and is guaranteed by way of a letter of guarantee from Capillary Technologies International Pte Ltd, Singapore, the Holding Company. The loan amounting to Rs. 65,000,000 (March 31, 2019: Rs. 65,000,000) was repayable in twenty two equal monthly instalments commencing from September 2018. The loan amounting to Rs.65,000,000 (March 31, 2019: Rs. 65,000,000) was repayable in twenty six instalments commencing from May 2018.

2. During the year ended March 31, 2019, the Company had entered into an External Commercial Borrowing (ECB) arrangement with Capillary Technologies International Pte Ltd, Singapore, the Holding Company for a maximum credit amount of USD 20,000,000. During the current year, the Company has taken loans, out of the said arrangement from the Holding Company amounting to USD 2,000,000 carrying interest at the rate of 6 months LIBOR rate per annum payable on an annual basis at the end of each financial year. The aforesaid loan is repayable in two equal instalments on March 31, 2022 and September 30, 2022 respectively.

6 Provisions

	(Amount in Rs.)			
	Long-term		Short-term	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Provision for employee benefits				
Provision for gratuity (refer note 25)	19,622,099	20,861,662	16,805,744	25,840,545
Provision for leave benefits	-	-	16,056,564	14,528,117
	19,622,099	20,861,662	32,872,308	40,368,662

7 Other non-current liabilities

	(Amount in Rs.)	
	March 31, 2020	March 31, 2019
	Deferred rent	2,365,334
	2,365,334	148,528

8 Short-term borrowings

	(Amount in Rs.)	
	March 31, 2020	March 31, 2019
	Working Capital loans from a bank (secured)*	76,812,458
Total	76,812,458	99,806,752

* Working capital loan from a bank on sales invoice discounting carrying a limit of Rs. 150,000,000 (March 31, 2019: Rs. 120,000,000) carries interest @ MCLR plus spread of 1.05% per annum (March 31, 2019: MCLR plus spread of 1.05% per annum) and is payable in 90 days from the date of disbursement of loan. These loans are secured by way of pari passu charge of hypothecation on uncalled share capital, book debts, movable property (not being pledge), floating charges, calls made but not paid, goodwill, patent, license under a patent, trademark, copyright or license under a copyright. This loan is secured by way of corporate guarantee given from Capillary Technologies International Pte Ltd, Singapore, the Holding Company to the extent of Rs. 150,000,000.

9 Trade payables and other current liabilities

	(Amount in Rs.)	
	March 31, 2020	March 31, 2019
	Trade payables	
Total outstanding dues of micro enterprises and small enterprises (refer note 33)	1,800,837	849,635
Total outstanding dues of creditors other than micro enterprises and small enterprises (refer notes 22 and 35)	235,710,575	311,130,111
Other liabilities		
Current maturities of long-term borrowings (refer note 5)	16,365,599	65,454,555
Others		
Deferred revenue	56,758,798	30,949,392
Advance from customers	1,078,045	2,416,294
Payable to capital creditors - dues to micro enterprises and small enterprises (refer note 33)	678,654	89,568
Payable to capital creditors - dues to creditors other than micro enterprises and small enterprises	2,478,520	2,734,631
Statutory dues payable	26,389,979	24,605,690
Deferred rent	-	1,720,900
Interest accrued and due on borrowings (refer note 22)	1,336,032	-
Interest accrued but not due on borrowings	281,367	908,786
(A)	105,266,994	128,879,816
Total	342,778,406	440,859,562

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10 Property, plant and equipment

(Amount in Rs.)

Particulars	Computers	Office equipments	Leasehold improvements	Furniture and fixtures	Total
Gross block					
As at April 01, 2018	44,637,571	5,647,446	7,072,008	5,503,613	62,860,638
Additions	14,002,786	1,962,672	223,650	878,262	17,067,370
Deletions	13,797,930	571,959	-	-	14,369,889
As at March 31, 2019	44,842,427	7,038,159	7,295,658	6,381,875	65,558,119
Additions	2,103,020	70,490	490,000	-	2,663,510
Deletions	-	66,583	7,295,658	-	7,362,241
As at March 31, 2020	46,945,447	7,042,066	490,000	6,381,875	60,859,388
Accumulated depreciation					
As at April 01, 2018	31,595,559	4,027,642	4,584,366	3,371,423	43,578,990
Charge for the year	13,610,556	881,367	1,784,504	525,845	16,802,272
Deletions	13,797,930	571,959	-	-	14,369,889
As at March 31, 2019	31,408,185	4,337,050	6,368,870	3,897,268	46,011,373
Charge for the year	8,740,452	1,239,753	1,007,714	643,179	11,631,098
Deletions	-	66,583	7,295,658	-	7,362,241
As at March 31, 2020	40,148,637	5,510,220	80,926	4,540,447	50,280,230
Net Block					
As at March 31, 2019	13,434,242	2,701,109	926,788	2,484,607	19,546,746
As at March 31, 2020	6,796,810	1,531,846	409,074	1,841,428	10,579,158

11 Intangible assets

(Amount in Rs.)

Particulars	Computer software	Goodwill	Distributorship rights	Total
Gross block				
As at April 01, 2018	9,825,251	310,790	105,000,000	115,136,041
Additions	1,602,900	-	-	1,602,900
Deletions	4,949,502	310,790	105,000,000	110,260,292
As at March 31, 2019	6,478,649	-	-	6,478,649
Additions (refer note 22)	3,364,401	-	-	3,364,401
Deletions	-	-	-	-
As at March 31, 2020	9,843,050	-	-	9,843,050
Accumulated amortisation				
As at April 01, 2018	9,390,349	310,790	105,000,000	114,701,139
Charge for the year	17,360	-	-	17,360
Deletions	4,949,502	310,790	105,000,000	110,260,292
As at March 31, 2019	4,458,207	-	-	4,458,207
Charge for the year	1,087,411	-	-	1,087,411
Deletions	-	-	-	-
As at March 31, 2020	5,545,618	-	-	5,545,618
Net block				
As at March 31, 2019	2,020,442	-	-	2,020,442
As at March 31, 2020	4,297,432	-	-	4,297,432

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12 Loans and advances

	(Amount in Rs.)			
	Non-current		Current	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Security deposits				
Unsecured, considered good	20,200,000	4,374,813	9,074,035	34,848,560
(A)	20,200,000	4,374,813	9,074,035	34,848,560
Advances recoverable in cash or kind				
Unsecured, considered good	-	-	4,592,492	6,000,131
(B)	-	-	4,592,492	6,000,131
Loans/advances to related parties (refer notes 22 and 35)				
Unsecured, considered good	-	-	8,790,430	8,109,231
(C)	-	-	8,790,430	8,109,231
Other loans and advances				
Unsecured, considered good				
Advance income-tax (net of provision for taxation)	136,464,909	117,096,556	-	-
Prepaid expenses	-	-	10,727,553	14,134,038
Loans/advances to employees	-	-	1,305,569	3,948,154
(D)	136,464,909	117,096,556	12,033,122	18,082,192
Total	(A+B+C+D)	156,664,909	121,471,369	34,499,079
				67,010,114

Notes:

a) As at March 31, 2020, the Company has advances recoverable in cash or kind of Rs. 2,456,467 (March 31, 2019: Rs. 2,279,943) from overseas fellow subsidiaries. Based on a letter of support/guarantee to fund the aforesaid companies received from Capillary Technologies International Pte Ltd., Singapore (the Holding Company), the management of the Company is confident of recovery of such advances and accordingly, no adjustments have been made in these financial statements in this regard.

13 Trade receivables

	(Amount in Rs.)		
	March 31, 2020	March 31, 2019	
Outstanding for a period exceeding six months from the date they are due for payment (refer note 22)			
Unsecured, considered good	7,493,976	1,291,749	
Unsecured, considered doubtful	24,737,758	35,734,073	
Provision for doubtful receivables	32,231,734	37,025,822	
	(24,737,758)	(35,734,073)	
(A)	7,493,976	1,291,749	
Other receivables (refer note 22)			
Unsecured, considered good	389,890,144	318,438,953	
Unsecured, considered doubtful	27,316,702	10,249,404	
Provision for doubtful receivables	417,206,846	328,688,357	
	(27,316,702)	(10,249,404)	
(B)	389,890,144	318,438,953	
Total	(A + B)	397,384,120	319,730,702

14 Cash and bank balances

	(Amount in Rs.)			
	Non-current		Current	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Cash and cash equivalents				
Cash on hand	-	-	-	2,658
Balances with banks				
- On current accounts	-	-	47,900,080	69,679,839
(A)	-	-	47,900,080	69,679,839
Other bank balances				
- Deposits having remaining maturity of more than 12 months*	63,331,359	50,590,188	-	-
(B)	63,331,359	50,590,188	-	-
Amount disclosed under non-current assets (refer note 15)				
(C)	(63,331,359)	(50,590,188)	-	-
(A+B+C)	-	-	47,900,080	69,679,839

* These are lien against short term borrowings from RBI. Bank (refer note 8)

15 Other assets

	(Amount in Rs.)			
	Non-current		Current	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Non-current bank balances (refer note 14)				
Unbilled revenue	63,331,359	50,590,188	-	-
Interest accrued on fixed deposits	-	-	19,410,610	31,358,770
	-	-	144,919	-
	63,331,359	50,590,188	19,755,529	31,358,770

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16 Revenue from operations

	(Amount in Rs.)	
	March 31, 2020	March 31, 2019
Service income from group companies (refer notes 22 and 27)	888,303,348	966,174,136
Service income from external customers	517,136,527	478,291,519
Income from SMS campaigns	255,794,008	280,296,243
	1,661,233,883	1,724,761,898
Other operating revenue	-	6,723,934
	1,661,233,883	1,731,485,832

17 Other income

	(Amount in Rs.)	
	March 31, 2020	March 31, 2019
Interest income on bank deposits (gross)	4,449,800	1,412,065
Interest income on income tax refund	5,298,028	-
Provisions/ liabilities no longer required, written back (refer note 22)	1,763,897	1,065,421
Profit on sale of current investments	-	116,201
Profit on sale of property, plant and equipment	7,601	-
Exchange differences (net)	-	10,176,749
Other non-operating income	-	172,599
	11,519,326	12,943,035

18 Employee benefit expenses

	(Amount in Rs.)	
	March 31, 2020	March 31, 2019
Salaries, wages and bonus	896,622,677	856,739,402
Contribution to provident and other funds	12,701,443	14,043,528
Gratuity expenses (refer note 23)	744,665	14,786,822
Staff welfare expenses	28,879,748	34,825,915
Staff training and recruitment expenses	580,534	6,393,405
	939,529,067	926,789,072

19 Other expenses

	(Amount in Rs.)	
	March 31, 2020	March 31, 2019
Travelling and conveyance	63,105,020	119,676,166
Rent (refer note 23)	50,192,433	48,410,766
Communication costs	12,673,166	21,864,066
Auditor's remuneration*	1,872,560	2,139,761
Power and fuel	8,909,240	12,149,059
Provision for doubtful trade receivables and advances (including bad debts written off) (refer note 22)	43,466,910	22,949,680
Advances/ deposits written off	3,527,052	1,107,526
Selling and marketing expenses	18,001,123	41,462,697
Repairs and maintenance - others	11,880,063	8,098,986
Exchange differences (net)	1,536,929	-
Rates and taxes	528,721	1,119,741
Software and server charges (refer note 22)	50,707,812	70,207,434
Miscellaneous expenses	11,972,015	21,714,569
	278,173,044	370,900,451

*Auditor's remuneration (exclusive of goods and service tax)

	(Amount in Rs.)	
	March 31, 2020	March 31, 2019
As auditors:		
Statutory audit fees	1,700,000	2,000,000
Reimbursement of expenses	172,560	139,761
	1,872,560	2,139,761

20 Depreciation and amortisation expenses

	(Amount in Rs.)	
	March 31, 2020	March 31, 2019
Depreciation of property, plant and equipment (refer note 10)	11,631,098	16,802,272
Amortisation of intangible assets (refer note 11)	1,087,411	17,360
	12,718,509	16,819,632

21 Finance costs

	(Amount in Rs.)	
	March 31, 2020	March 31, 2019
Interest on loans	19,404,012	23,275,441
Interest - others	3,752,833	456,925
Bank and other finance charges	3,567,999	4,927,661
	26,724,844	28,660,027



22 Related party disclosure

22.1

Particulars	Name of Related Parties
Related party where control exists	Capillary Technologies International Pte Ltd, Singapore (Holding Company)
Fellow subsidiaries	Capillary Technologies Inc, USA Capillary Technologies (UK) Limited, United Kingdom Capillary Technologies DMCC, UAE Reasoning Global E-Applications Private Limited, India Capillary Technologies Shanghai Co. Ltd, China Capillary Technologies (Malaysia) Sdn Bhd PT Capillary Technologies Indonesia (incorporated on June 07, 2018)
Enterprise significantly influenced by key managerial personnel	Capillary Technologies Private Limited, India Darwinbox Digital Solutions Private Limited
Key managerial personnel (KMP)	Mr. Sridhar Bollam, Director Mr. Anesh Reddy, Director Mr. Anant Choubey, Director (Appointed w.e.f. January 02, 2020) Mr. Abhjeet Rajendra Vijayvargiya, Director (Resigned w.e.f. January 02, 2020)

22.2 Transactions with related parties

Name of the related party	Description of relationship	Description of the nature of transaction	(Amount in Rs.)		
			March 31, 2020	March 31, 2019	
Capillary Technologies International Pte Ltd, Singapore	Holding company	Transactions during the year	Expenses incurred/ payments made on behalf of related party	-	491,268
			Provisions/ liabilities no longer required, written back	1,124,677	-
			External commercial borrowings	139,280,000	-
			Finance costs	1,571,800	-
			Corporate guarantees taken	20,000,000	185,000,000
		Service income	888,403,348	966,174,116	
		Closing balances	Trade payables	-	52,747,316
			External commercial borrowings	150,940,000	-
			Interest accrued and due on borrowings	1,336,032	-
			Corporate guarantees taken	93,178,057	181,624,943
Advances to related party*	6,333,963		5,829,288		
Capillary Technologies DMCC, UAE	Fellow subsidiary	Transactions during the year	Expenses incurred/ payments made on behalf of related party	-	598,157
		Closing balances	Advances to related party*	2,456,467	2,279,943
Capillary Technologies Private Limited, India	Enterprise significantly influenced by key managerial personnel	Transactions during the year	Bad debts written off	7,093,339	-
		Closing balances	Trade receivables	-	7,093,339
Darwinbox Digital Solutions Private Limited	Enterprise significantly influenced by key managerial personnel	Transactions during the year	Software and server charges	585,200	-
		Closing balances	Purchase of intangible assets	626,271	-
			Trade payables	632,016	-
Mr. Sridhar Bollam	Key managerial personnel	Transactions during the year	Managerial remuneration**	5,042,312	4,634,527
Mr. Anesh Reddy	Key managerial personnel	Transactions during the year	Managerial remuneration**	13,458,004	10,030,404
Mr. Anant Choubey	Key managerial personnel	Transactions during the year	Managerial remuneration**	1,398,504	-

* Also refer note 12 (a)

*** Excludes contribution to gratuity fund and leave encashment as they are determined on actuarial basis for the Company as a whole

23 Leases

The Company has entered into various cancellable and non-cancellable lease agreements for its leased premises, which expires at various dates and are renewable at the mutual consent of both the lessor and the lessee. The lease term is for a period of 1 to 7 years with an option of renewal in certain leases. There are no contingent rents in the lease agreement. There are no restrictions imposed by lease arrangements. There are no subleases.

The total lease expense for operating leases recognised in the statement of profit and loss is Rs. 50,192,433 (March 31, 2019: Rs. 48,410,766)

Future minimum rentals payable under non-cancellable operating leases are as follows:

Particulars	(Amount in Rs.)	
	March 31, 2020	March 31, 2019
Payable not later than 1 year	51,403,333	34,117,863
Payable later than 1 year and not later than 5 years	120,452,983	6,809,060
Total	173,857,317	40,926,923

24 Earnings per share ('EPS')

Particulars	(Amount in Rs.)	
	March 31, 2020	March 31, 2019
Nominal value of equity share (Rs. per share)	10	10
Weighted average number of equity shares outstanding during the year used for computing EPS (a)	2,333,379	2,333,379
Profit / (loss) for the year used for the purpose of EPS (Rs.) (b)	45,982,693	154,079,501
EPS- basic and diluted (Rs. per share) (c=b/a)	19.71	(23.18)



25 Employee benefits

Gratuity

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is not funded.

The following table summarize the components of net benefit expenses recognised in the statement of profit and loss and amounts recognised in the balance sheet for the plan.

Statement of profit and loss

Net employee benefit expenses (recognised in the employee benefit expenses)

Particulars	(Amount in Rs.)	
	March 31, 2020	March 31, 2019
Current service cost	9,264,133	11,110,326
Interest cost on defined benefit obligation	3,138,883	2,468,661
Actuarial (gain)/ loss	(11,658,351)	1,207,835
Net benefit expenses	744,665	14,776,822

Balance Sheet

Benefit asset / liability

Particulars	(Amount in Rs.)	
	March 31, 2020	March 31, 2019
Present value of defined benefit obligation	36,427,843	46,702,207
Fair value of plan assets	-	-
Plan (liability)/ asset	(36,427,843)	(46,702,207)

Changes in the present value of the defined benefit obligation are as follows:

Particulars	(Amount in Rs.)	
	March 31, 2020	March 31, 2019
Opening defined benefit obligation	46,702,207	35,626,648
Interest cost	3,138,883	2,468,661
Current service cost	9,264,133	11,110,326
Benefits paid	(11,019,029)	(3,711,263)
Actuarial (gain)/ loss on obligation	(11,658,351)	1,207,835
Closing defined benefit obligation	36,427,843	46,702,207

The principal assumptions used in determining gratuity obligation:

Particulars	(Amount in Rs.)	
	March 31, 2020	March 31, 2019
Discount rate (in a)	6.54%	7.62%
Expected rate of salary increase (a)	Refer note (i)	16.37%
Employee turnover (in a)	28.62%	28.62%
Mortality rate	Refer note (ii)	Refer note (ii)

Amounts for the current year and previous periods are as follows:

Particulars	(Amount in Rs.)				
	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016
Defined benefit obligation	36,427,843	46,702,207	35,626,648	27,668,984	20,673,807
Experience adjustments on plan liabilities	(5,224,804)	(794,765)	5,118,469	(777,241)	3,816,438

Notes

i) Salary Escalation Rate

Years	Rate of escalation
First year	10%
Next 3 years	0%
Future years	10%

ii) As per Indian Assured Lives Mortality (2012-14) (Ultimate) (March 31, 2019): As per Indian Assured Lives Mortality (2006-08) (Ultimate)

iii) The estimates of future increase in compensation levels, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market

26 Expenditure in foreign currency (on accrual basis)

Particulars	(Amount in Rs.)	
	March 31, 2020	March 31, 2019
Software and server charges	8,147,295	4,592,896
Cost of consultant services	6,397,296	1,960,884
Travelling and conveyance	-	215,738
Selling and marketing expenses	243,567	1,408,152
Legal and professional fees	532,751	1,343,905
Finance costs	1,336,032	-
Others	-	600,644
Total	16,656,941	10,122,219

27 Earnings in foreign currency (on accrual basis)

Particulars	(Amount in Rs.)	
	March 31, 2020	March 31, 2019
Service income from group companies (refer notes 22, 28 and 29)	888,303,348	966,174,136
Total	888,303,348	966,174,136

28 Segment Information

i) The segment reporting of the Company has been prepared in accordance with AS-17 on Segment reporting.

ii) The Company is engaged in the business of providing cloud based intelligent customer engagement software solutions to retail chain operators. The Company also provides technical, analytical and other support services to group companies and is subject to the same risks and returns. Accordingly, the Company's business activity falls within the single business segment for which no further disclosures are required.

iii) For the purpose of reporting, business segments is a primary segment and the geographical segments is a secondary segment.

iv) Geographical segment is categorised as 'Within India' and 'Outside India' and is based on the domicile of the customers.

Particulars	(Amount in Rs.)					
	March 31, 2020			March 31, 2019		
	Segment revenue	Segment assets	Capital expenditure	Segment revenue	Segment assets	Capital expenditure
Within India	772,930,535	511,023,083	6,027,911	765,311,696	530,785,336	18,670,270
Outside India	888,303,348	223,378,983	-	966,174,136	150,652,834	-
Total	1,661,233,883	734,402,066	6,027,911	1,731,485,832	681,438,170	18,670,270



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29 Unhedged foreign currency exposure

The Company has not entered into any hedging transactions to hedge its foreign currency exposures. The Company has the following un-hedged foreign currency exposures as at the year end:

	March 31, 2020		March 31, 2019	
	(Amount in USD)	(Amount in Rs.)	(Amount in USD)	(Amount in Rs.)
Trade receivables				
USD	2,824,223	213,144,087	2,052,265	142,543,603
Loans and advances				
USD	135,615	10,234,896	116,752	8,109,231
Long-term borrowings (including interest accrued and due on ECB)				
USD	2,017,703	152,276,032	-	-
Trade payables				
USD	6,544	501,406	757,689	53,133,658

30 The selected employees of the Company were granted employee stock options of Capillary Technologies International Pvt. Ltd, the Holding company based upon performance, without any cross charge. The options are equity settled and generally vest over a period of four years, with an exercise period of ten years from the date of grant and the exercise price being Nil.

The Institute of Chartered Accountants of India has issued a Guidance Note on Accounting for Employee Share-based Payments, which is applicable to employee share based payment plans, the grant date in respect of which falls on or after April 1, 2005. The management is of the opinion that the scheme detailed above is managed and administered by the Holding Company for its own benefit and do not have any settlement obligations on the Company. Further, the aforesaid scheme pertains to shares of the Holding Company and the impact of compensation benefits in respect of this scheme is assessed and accounted for in the books of the Holding Company. Accordingly, the Company is of the opinion that there is no accounting treatment/disclosure required under the said Guidance Note.

31 The Supreme court of India in the month of February 2019 had passed a judgement relating to deflation of wages under the Provident Fund Act, 1952. The Management is of the view that there are interpretative challenges on the application of the judgement retrospectively. In the absence of reliable measurement of the provision for earlier periods, the Company has made a provision for provident fund contribution pursuant to the judgement only from the date of Supreme Court Order. The Company will evaluate its position and update its provision, if required, on receiving further clarity on the subject. The Company does not expect any material impact of the same.

32 The Company is in the process of conducting a transfer pricing study as required by the transfer pricing regulations under the Income Tax Act 1961 ('regulations') to determine whether the transactions entered during the year ended March 31, 2020, with the associated enterprises were undertaken at "arm's length price". The management confirms that all the transactions with associate enterprises are undertaken at negotiated prices on usual commercial terms and is confident that the aforesaid regulations will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

33 Trade payables and payable to capital creditors include due to suppliers under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act, 2006). Amount due to suppliers under the MSMED Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with and filings made by the Company. Further in view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the MSMED Act 2006 is not expected to be material. The Company has not received any claim for interest from any supplier as at balance sheet date.

34 The spread of COVID-19 has severely impacted the business operations around the globe including India. The nationwide lockdown has impacted the Company's business volumes subsequently on account of disruptions in transportation, travel bans, quarantines, social distancing and other emergency precautionary measures and its consequent impact on the retail business. The Company considered the uncertainty relating to the COVID-19 pandemic in assessing the recoverability and carrying amounts of receivables and other assets and assessment of its liquidity position for next one year. For this purpose, the Company considered internal and external sources of information up to the date of approval of these financial statements. The Company has also used the principles of prudence in applying judgements, estimates and assumptions including sensitivity analysis and based on the current estimates, the Company expects to fully recover the carrying amount of these assets and do not expect any cashflow constraints on the basis of support letter received from the Holding Company. The Company will continue to monitor these aspects and takes actions as appropriate based on future economic conditions.

35 As at March 31, 2020, inter company advances amounting to USD 116,476 towards reimbursement of services were outstanding beyond permissible time period stipulated under the Master Circular on Import of Goods and Services and Master Circular on Export of Goods and Services issued by the Reserve Bank of India (RBI), which states that payments against imports of goods and services are required to be made within six months from the date of shipment and receipts against exports of goods and services are required to be made within nine months from the date of shipment respectively. Subsequent to the year end date, the Company has received remittance of USD 116,476 towards reimbursement of services. Further, during the year ended March 31, 2020, pursuant to the approvals received from the service provider, the Company has written back such inter-company payables and accordingly has disclosed Rs. 1,124,677 under 'other income' in these financial statements.

36 Pursuant to the Taxation Law (Amendment) Ordinance, 2019 ('Ordinance') issued by Ministry of Law and Justice (Legislative Department) on September 20, 2019 which is effective from April 1, 2019, domestic companies have the option to pay income tax at 22% plus applicable surcharge and cess ('new tax regime') subject to certain conditions. The Company based on the current projections have adopted the reduced rates of tax as per the Income Tax Act, 1961 from the current year 2019-20. Further, the provisions of Section 115JB of the Income Tax Act, 1961 are not applicable to the domestic companies opting for such revised taxation scheme and accordingly the Company is not liable to pay Minimum Alternate Tax under section 115JB of the Income Tax Act, 1961.

37 In the absence of virtual certainty that sufficient future taxable income would be available against which deferred tax assets can be realised, the Company has recognised deferred tax assets only to the extent of deferred tax liability as at March 31, 2020 and March 31, 2019.

38 Previous year's figures have been regrouped/reclassified, wherever necessary, to conform to the current year's classification.

As per our report of even date

For S.R. Batliboi & Associates LLP
 Chartered Accountants
 ICAI firm registration number 101049W/E300004

Sandeep Kamani
 per Sandeep Kamani
 Partner
 Membership No. 061207

Place: Bengaluru
 Date: December 30, 2020



For and on behalf of the Board of Directors of
 Capillary Technologies India Private Limited

B. Anesh Reddy
 Anesh Reddy Boidu
 Director
 DIN: 02214511

Anant Choudhey
 Anant Choudhey
 Director
 DIN: 06536413

Place: Bengaluru
 Date: December 30, 2020

Place: Bengaluru
 Date: December 30, 2020

