

**CAPILLARY TECHNOLOGIES INDIA PRIVATE LIMITED**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2021**

**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, 2021, 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, 2021, 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 35 to the accompanying financial Statements for the year ended March 31, 2021, 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. The Directors' report is not made available to us as at the date of this auditor's report. We have nothing to report in this regard.

## **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, 2021 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2021 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 with reference to these financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure II" to this report;




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

Chartered Accountants

- (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, 2021;
- (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 Karnani  
Partner  
Membership Number: 061207  
UDIN: 21061207AAAADL2500



Place of Signature: Bengaluru  
Date: July 30, 2021

**Annexure I referred to in clause 1 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) Except for tagging of property, plant and equipment, the Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment;
- (b) All property, plant and equipment have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. The material discrepancies identified on physical verification of property, plant and equipment by the management during the year have been properly dealt with in the books of accounts;
- (c) According to the information and explanations given to us by the management of the Company and audit procedures performed by us, 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 of the Company and audit procedures performed by us, the Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013 ('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 of the Company, there are no loans, investments, guarantees and securities granted in respect of which provisions of sections 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 few cases.



- (b) According to the information and explanations given to us by the management of the Company and audit procedures performed by us, 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 of the Company, 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 of the Company, 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.
- (ix) According to the information and explanations given to us by the management of the Company and audit procedures performed by us, the Company has not raised any money by way of initial public offer / further public offer/ debt instruments during the year. In our opinion and according to the information and explanation given to us by the management of the Company, 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 of the Company, we report that no fraud by the Company or no material fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.
- (xi) According to the information and explanations given to us by the management of the Company, 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 of the Company, 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.



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

Chartered Accountants

- (xiv) According to the information and explanations given to us by the management of the Company 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 of the Company and audit procedures performed by us, 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 of the Company, the provisions of section 45-IA 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: 21061207AAAADL2500



Place: Bengaluru

Date: July 30, 2021

**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 with reference to financial statements of Capillary Technologies India Private Limited ("the Company") as of March 31, 2021 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 ("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 Companies Act, 2013 ("Act").

**Auditor's Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls with reference to these financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, as specified under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both issued by 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 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 with reference to these financial statements and their operating effectiveness. Our audit of internal financial controls with reference to these financial statements included obtaining an understanding of internal financial controls 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 Company's internal financial controls with reference to these financial statements.



## Meaning of Internal Financial Controls With Reference to these Financial Statements

A company's internal financial controls 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 controls 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.

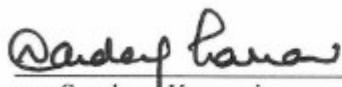
## Inherent Limitations of Internal Financial Controls With Reference to these Financial Statements

Because of the inherent limitations of internal financial controls 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 with reference to these financial statements to future periods are subject to the risk that the internal financial control 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 with reference to these financial statements and such internal financial controls with reference to these financial statements were operating effectively as at March 31, 2021, 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: 21061207AAAADL2500



Place of Signature: Bengaluru  
Date: July 30, 2021

Capillary Technologies India Private Limited  
Corporate Identity Number :U72200KA2012PTC063060  
Balance Sheet as at March 31, 2021

(Amount in Rs.)

|  | Notes | (Amount in Rs.)    |                    |
|--|-------|--------------------|--------------------|
|  |       | March 31, 2021     | March 31, 2020     |
| <b>Equity and liabilities</b>  |       |                    |                    |
| <b>Shareholders' funds</b>   |       |                    |                    |
| Share capital  | 3     | 23,333,790         | 23,333,790         |
| Reserves and surplus   | 4     | 293,978,307        | 85,678,271         |
|  |       | <b>317,312,097</b> | <b>109,012,061</b> |
| <b>Non-current liabilities</b>   |       |                    |                    |
| Long-term borrowings   | 5     | 73,149,000         | 150,940,000        |
| Long-term provisions   | 6     | 22,347,781         | 19,622,099         |
| Other non-current liabilities  | 7     | -                  | 2,365,334          |
|  |       | <b>95,696,781</b>  | <b>172,927,433</b> |
| <b>Current liabilities</b>   |       |                    |                    |
| Short-term borrowings  | 8     | 45,000,000         | 76,812,458         |
| Trade payables   |       |                    |                    |
| Total outstanding dues of micro enterprises and small enterprises                      | 9     | 3,081,540          | 1,800,837          |
| Total outstanding dues of creditors other than micro enterprises and small enterprises | 9     | 152,445,147        | 235,710,575        |
| Other current liabilities  | 9     | 164,459,251        | 105,266,994        |
| Short-term provisions  | 6     | 25,798,103         | 32,872,308         |
|  |       | <b>390,784,041</b> | <b>452,463,172</b> |
| <b>Total</b>   |       | <b>803,792,919</b> | <b>734,402,666</b> |
| <b>Assets</b>  |       |                    |                    |
| <b>Non-current assets</b>  |       |                    |                    |
| Property, plant and equipment  | 10    | 5,860,655          | 10,579,158         |
| Intangible assets  | 11    | 3,492,686          | 4,297,432          |
| Loans and advances   | 12    | 41,189,060         | 156,664,909        |
| Other non-current assets   | 15    | 87,260,692         | 63,331,359         |
|  |       | <b>137,803,093</b> | <b>234,872,858</b> |
| <b>Current assets</b>  |       |                    |                    |
| Trade receivables  | 13    | 519,081,804        | 397,384,120        |
| Cash and bank balances   | 14    | 96,783,488         | 47,900,080         |
| Loans and advances   | 12    | 30,743,043         | 34,490,079         |
| Other current assets   | 15    | 19,381,491         | 19,755,529         |
|  |       | <b>665,989,826</b> | <b>499,529,808</b> |
| <b>Total</b>   |       | <b>803,792,919</b> | <b>734,402,666</b> |

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 Kanani*  
per Sandeep Kanani  
Partner  
Membership No: 061207




Place: Bengaluru  
Date: July 30, 2021

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

*B. Anesh Reddy*  
Aneesh Reddy Boddu  
Director  
DIN: 02214511

*Anant Choube*  
Anant Choube  
Director  
DIN: 06536413

*G. Bhargavi Reddy*  
G. Bhargavi Reddy  
Company Secretary  
Membership Number - A17091



Place: Bengaluru  
Date: July 30, 2021

Place: Bengaluru  
Date: July 30, 2021

Capillary Technologies India Private Limited  
Corporate Identity Number :U72200KA2012PTC063060  
Statement of profit and loss for the year ended March 31, 2021

|  | Notes | (Amount in Rs.)      |                      |
|--|-------|----------------------|----------------------|
|  |       | March 31, 2021       | March 31, 2020       |
| <b>Income</b>  |       |                      |                      |
| Revenue from operations  | 16    | 1,149,032,341        | 1,661,233,883        |
| Other income   | 17    | 74,108,912           | 11,519,326           |
| <b>Total income (i)</b>  |       | <b>1,223,141,253</b> | <b>1,672,753,209</b> |
| <b>Expenses</b>  |       |                      |                      |
| Cost of campaign services  |       | 88,294,453           | 225,764,827          |
| Legal and professional fees  |       | 123,989,019          | 143,860,225          |
| Employee benefit expenses  | 18    | 678,346,074          | 939,529,067          |
| Other expenses   | 19    | 99,214,800           | 278,173,044          |
| Depreciation and amortisation expenses   | 20    | 10,256,352           | 12,718,509           |
| Finance costs  | 21    | 14,740,519           | 26,724,844           |
| <b>Total expenses (ii)</b>   |       | <b>1,014,841,217</b> | <b>1,626,770,516</b> |
| <b>Profit / (loss) before tax expenses [(i - ii)]</b>  |       | <b>208,300,036</b>   | <b>45,982,693</b>    |
| <b>Tax expenses</b>  |       |                      |                      |
| Current tax  |       | -                    | -                    |
| Deferred tax   |       | -                    | -                    |
| <b>Total tax expenses</b>  |       | <b>-</b>             | <b>-</b>             |
| <b>Profit / (loss) for the year</b>  |       | <b>208,300,036</b>   | <b>45,982,693</b>    |
| Earnings per equity share [nominal value of share Rs. 10 each (March 31, 2020: Rs 10 each)]<br>Basic and diluted | 24    | 89.27                | 19.71                |

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 Kumar*  
per Sandeep Kumar  
Partner  
Membership No. 061207



Place: Bengaluru  
Date: July 30, 2021

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

*Aneesh Reddy*  
Aneesh Reddy Boddu  
Director  
DIN: 02214511

*Anant Choubey*  
Anant Choubey  
Director  
DIN: 06536413

*G. Bhargavi Reddy*  
G. Bhargavi Reddy  
Company Secretary  
Membership Number - A17091



Place: Bengaluru  
Date: July 30, 2021

Place: Bengaluru  
Date: July 30, 2021

(Amount in Rs.)

**A. Cash flow from operating activities**

|   | March 31, 2021     | March 31, 2020      |
|---|--------------------|---------------------|
| Profit / (loss) before tax expenses   | 208,300,036        | 45,982,693          |
| <b>Adjustments to reconcile (loss) / profit before tax to net cash flows</b>            |                    |                     |
| Depreciation and amortisation expenses  | 10,256,352         | 12,718,509          |
| Provision for doubtful trade receivables and advances (including bad debts written off) | (3,649,580)        | 43,466,910          |
| Advances/ deposits written off  | 5,750,992          | 3,527,052           |
| Profit on sale of property, plant and equipment (net)                                   | (551,709)          | (7,601)             |
| Provisions/ liabilities no longer required, written back                                | -                  | (1,763,897)         |
| Unrealised exchange differences (net)   | (8,016,227)        | 6,128,506           |
| Interest income   | (12,334,361)       | (9,747,828)         |
| Finance costs   | 14,740,519         | 26,724,844          |
| <b>Operating profit before working capital changes</b>                                  | <b>214,496,022</b> | <b>127,029,188</b>  |
| Movements in working capital :  |                    |                     |
| (Increase) / decrease in trade receivables  | (114,673,879)      | (115,834,058)       |
| (Increase) / decrease in loans and advances   | 23,319,036         | 16,344,241          |
| (Increase) / decrease in other assets   | 413,969            | 11,948,160          |
| Increase / (decrease) in provisions, trade payables and other liabilities               | (91,794,266)       | (55,165,842)        |
| <b>Cash generated from / (used in) operations</b>                                       | <b>31,760,882</b>  | <b>(15,658,311)</b> |
| Direct taxes paid (net of refunds)  | 98,729,542         | (16,514,706)        |
| <b>Net cash flow from / (used in) operating activities (A)</b>                          | <b>130,490,424</b> | <b>(32,173,017)</b> |

**B. Cash flow from investing activities**

|  |                     |                     |
|--|---------------------|---------------------|
| Expenditure on property, plant and equipment including intangible assets and intangible assets under development | (6,138,820)         | (5,694,936)         |
| Proceeds from sale of property, plant and equipment (net)  | 1,036,441           | 7,601               |
| Interest received  | 3,717,745           | 4,104,881           |
| Investment in deposits having maturity more than 3 months  | (23,929,333)        | (12,741,171)        |
| <b>Net cash flow (used in)/ from investing activities (B)</b>  | <b>(25,313,967)</b> | <b>(14,323,625)</b> |

**C. Cash flow from financing activities**

|  |                     |                   |
|--|---------------------|-------------------|
| Proceeds from long-term borrowings                             | -                   | 139,280,000       |
| Repayment of long-term borrowings                              | (16,365,599)        | (65,452,592)      |
| (Repayment)/ proceeds of short term borrowings (net)           | (31,812,458)        | (22,994,294)      |
| Finance costs paid   | (8,114,992)         | (26,116,231)      |
| <b>Net cash flow (used in) / from financing activities (C)</b> | <b>(56,293,049)</b> | <b>24,716,883</b> |

**Net increase / (decrease) in cash and cash equivalents (A+B+C)**

|  |            |              |
|--|------------|--------------|
| Cash and cash equivalents at the beginning of the year | 48,883,408 | (21,779,759) |
| 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   | -                 | -                 |
| Balances with banks                                    | -                 | -                 |
| - On current accounts                                  | 96,783,488        | 47,900,080        |
| <b>Total cash and cash equivalents (refer note 14)</b> | <b>96,783,488</b> | <b>47,900,080</b> |

**Notes:**

1. 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).

2. The above cash flow statement has been compiled from and is based on the balance sheet as at March 31, 2021 and the related statement of profit and loss for the year ended on that date.

3. Previous year's figures have been regrouped and reclassified, wherever necessary to conform to those of the current year's classification. (refer note 37)

**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

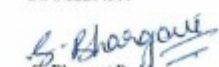
  
Anand Kumar  
Partner  
Membership No: 061207



Place: Bengaluru  
Date: July 30, 2021

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

  
Anesh Reddy Boddu  
Director  
DIN: 02214511

  
G. Bhargavi Reddy  
Company Secretary  
Membership Number - A17091

  
Anil Choubey  
Director  
DIN: 06536413



Place: Bengaluru  
Date: July 30, 2021

Place: Bengaluru  
Date: July 30, 2021

## 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 asset is derecognised.



**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/ intangible assets**

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.

**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.



#### 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.

#### Other Income

##### Export Incentives

Export entitlements in the form of Service Exports from India (SEIS) is recognized in the Statement of profit and loss when the right to receive credit as per the terms of the scheme is established in respect of exports made and when there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

##### Interest Income

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 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.



3 Share capital

|   | (Amount in Rs.)   |                   |
|---|-------------------|-------------------|
|   | March 31, 2021    | March 31, 2020    |
| <b>Authorised shares</b>  |                   |                   |
| 2,500,000 (March 31, 2020: 2,500,000) equity shares of Rs 10 each               | 25,000,000        | 25,000,000        |
| <b>Issued, subscribed and fully paid-up shares</b>                              |                   |                   |
| 2,333,379 (March 31, 2020: 2,333,379) equity shares of Rs 10 each fully paid up | 23,333,790        | 23,333,790        |
| <b>Total issued, subscribed and fully paid-up share capital</b>                 | <b>23,333,790</b> | <b>23,333,790</b> |

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

|                                    | March 31, 2021   |                   | March 31, 2020   |                   |
|------------------------------------|------------------|-------------------|------------------|-------------------|
|                                    | 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 | <b>2,333,379</b> | <b>23,333,790</b> | <b>2,333,379</b> | <b>23,333,790</b> |

(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, 2021  | March 31, 2020 |
| <b>Capillary Technologies International Pte Ltd, Singapore, the Holding Company</b> |                 |                |
| 2,333,379 (March 31, 2020: 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, 2021 |           | March 31, 2020 |           |
|---|----------------|-----------|----------------|-----------|
|   | Number         | % holding | Number         | % holding |
| <b>Capillary Technologies International Pte Ltd, Singapore, the Holding Company</b> | 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, 2021       | March 31, 2020       |
| <b>Securities premium account</b>                                      |                      |                      |
| Balance as per the last financial statements                           | 949,717,859          | 949,717,859          |
| <b>Closing balance (A)</b>   | <b>949,717,859</b>   | <b>949,717,859</b>   |
| <b>(Deficit) / surplus in the statement of profit and loss*</b>        |                      |                      |
| Balance as per last financial statements                               | (864,039,588)        | (910,032,281)        |
| Profit / (loss) for the year   | 208,300,036          | 45,982,693           |
| <b>Net (deficit) / surplus in the statement of profit and loss (B)</b> | <b>(655,739,552)</b> | <b>(864,039,588)</b> |
| <b>Total reserves and surplus (A+B)</b>                                | <b>293,978,307</b>   | <b>85,678,271</b>    |

\* The Company had incurred losses including cash losses in the earlier years which resulted in substantial erosion of networth of the Company. Though the networth of the Company was 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.

(This space has been intentionally left blank)



5 Long-term borrowings

|   | (Amount in Rs.)     |                    |                    |                   |
|---|---------------------|--------------------|--------------------|-------------------|
|   | Non-current portion |                    | Current maturities |                   |
|   | March 31, 2021      | March 31, 2020     | March 31, 2021     | March 31, 2020    |
| <b>Term loans</b>   |                     |                    |                    |                   |
| Indian rupee term loans from others (secured) <sup>1</sup>  | -                   | -                  | -                  | 16,365,599        |
| External Commercial Borrowing (ECB) from Holding Company (unsecured) <sup>2</sup> (refer note 22) | 73,149,000          | 150,940,000        | 73,149,000         | -                 |
|   | <b>73,149,000</b>   | <b>150,940,000</b> | <b>73,149,000</b>  | <b>16,365,599</b> |
| <b>The above amount includes</b>  |                     |                    |                    |                   |
| Secured borrowings  | -                   | -                  | -                  | 16,365,599        |
| Unsecured borrowings  | 73,149,000          | 150,940,000        | 73,149,000         | -                 |
| Less: Amount disclosed under the head 'Other current liabilities' (refer note 9)                  | -                   | -                  | (73,149,000)       | (16,365,599)      |
| <b>Net amount</b>   | <b>73,149,000</b>   | <b>150,940,000</b> | <b>-</b>           | <b>-</b>          |

1. Indian rupee term loans from others of Rs. Nil is outstanding as at March 31, 2021 (March 31, 2020 - Rs. 16,365,599) carried interest 14.50% per annum (March 31, 2020 - 14.50% per annum) and was payable on a monthly basis. These loans were secured by hypothecation of existing, future, fixed and current asset, including any and all intellectual property and the intellectual property rights with respect to these 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 transits, 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 was guaranteed by way of a letter of guarantee from Capillary Technologies International Pte Ltd, Singapore, the Holding Company. The loan has been repaid in full during the year ended March 31, 2021.

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 year ended March 31, 2020, the Company had 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 plus 300 basis points 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, 2021    | March 31, 2020    | March 31, 2021    | March 31, 2020    |
| <b>Provision for employee benefits</b> |                   |                   |                   |                   |
| Provision for gratuity (refer note 25) | 22,547,781        | 19,622,099        | 12,215,340        | 16,805,744        |
| Provision for leave benefits           | -                 | -                 | 13,582,763        | 16,066,564        |
|  | <b>22,547,781</b> | <b>19,622,099</b> | <b>25,798,103</b> | <b>32,872,308</b> |

7 Other non-current liabilities

|  | (Amount in Rs.) |                  |
|--|-----------------|------------------|
|  | March 31, 2021  | March 31, 2020   |
|  | Deferred rent   | -                |
|  | <b>-</b>        | <b>2,365,334</b> |

8 Short-term borrowings

|  | (Amount in Rs.)                       |                   |
|--|---------------------------------------|-------------------|
|  | March 31, 2021                        | March 31, 2020    |
|  | Bank overdraft (secured) <sup>1</sup> | 45,000,000        |
| Working Capital loans from a bank (secured) <sup>2</sup> | -                                     | 76,812,458        |
| <b>Total</b>   | <b>45,000,000</b>                     | <b>76,812,458</b> |

1. Bank overdraft facility from a bank carrying a limit of Rs. 70,000,000 (March 31, 2020: Rs. Nil) carries interest @ 3 months Marginal Cost Lending Rate (MCLR) plus spread of 0.60% per annum and is payable on demand. This loan is secured by 100% cash margin by way of fixed deposits to be placed under lien in favour of the bank. 3. As at March 31, 2021, the Company has defaulted in the payment of interest of Rs. 614,882.

2. Working capital loan from a bank on sales invoice discounting carrying a limit of Rs. 95,000,000 (March 31, 2020: Rs. 150,000,000) carries interest @ 3 months MCLR plus spread of 1.05% per annum (March 31, 2020: 3 months 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 exclusive charge on the entire current assets (including receivables) of the Company, both present and future and fixed deposits of Rs. 85,000,000 (including 100% cash margin for overdraft facility) to be kept under the bank's lien. 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. 120,000,000.

9 Trade payables and other current liabilities

|  | (Amount in Rs.)          |                    |
|--|--------------------------|--------------------|
|  | March 31, 2021           | March 31, 2020     |
|  | <b>Trade payables</b>    |                    |
| Total outstanding dues of micro enterprises and small enterprises (refer note 34)                              | 3,081,540                | 1,800,837          |
| Total outstanding dues of creditors other than micro enterprises and small enterprises (refer notes 22 and 30) | 152,445,147              | 235,710,575        |
| <b>Other liabilities</b>   |                          |                    |
| Current maturities of long-term borrowings (refer note 5)  | 73,149,000               | 16,365,599         |
| Deferred revenue   | 54,209,578               | 56,758,798         |
| Advance from customers   | 801,421                  | 1,078,045          |
| Payable to capital creditors - dues to micro enterprises and small enterprises (refer note 34)                 | 2,136,738                | 678,654            |
| Payable to capital creditors - dues to creditors other than micro enterprises and small enterprises            | 109,450                  | 2,478,520          |
| Statutory dues payable   | 26,320,138               | 26,389,979         |
| Interest accrued and due on borrowings (refer note 22)   | 8,142,926                | 1,336,032          |
| Interest accrued but not due on borrowings   | -                        | 181,367            |
|  | <b>(B)</b> 164,459,251   | <b>105,266,994</b> |
| <b>Total</b>   | <b>(A+B)</b> 319,985,938 | <b>342,778,406</b> |



10 Property, plant and equipment

(Amount in Rs.)

| Particulars                     | Computers         | Office equipments | Leasehold improvements | Furniture and fixtures | Total             |
|---------------------------------|-------------------|-------------------|------------------------|------------------------|-------------------|
| <b>Gross block</b>              |                   |                   |                        |                        |                   |
| As at April 01, 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         |
| <b>As at March 31, 2020</b>     | <b>46,945,447</b> | <b>7,042,066</b>  | <b>490,000</b>         | <b>6,381,875</b>       | <b>60,859,388</b> |
| Additions                       | 3,204,084         | 65,601            | 150,000                | -                      | 3,419,685         |
| Deletions                       | 15,736,238        | 6,109,631         | -                      | 5,371,055              | 27,216,924        |
| <b>As at March 31, 2021</b>     | <b>34,413,293</b> | <b>998,036</b>    | <b>640,000</b>         | <b>1,010,820</b>       | <b>37,062,149</b> |
| <b>Accumulated depreciation</b> |                   |                   |                        |                        |                   |
| As at April 01, 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         |
| <b>As at March 31, 2020</b>     | <b>40,148,637</b> | <b>5,510,220</b>  | <b>80,926</b>          | <b>4,540,447</b>       | <b>50,280,230</b> |
| Charge for the year             | 4,830,202         | 1,356,140         | 559,074                | 908,041                | 7,653,457         |
| Deletions                       | 15,736,238        | 6,109,631         | -                      | 4,886,324              | 26,732,193        |
| <b>As at March 31, 2021</b>     | <b>29,242,601</b> | <b>756,729</b>    | <b>640,000</b>         | <b>562,164</b>         | <b>31,201,494</b> |
| <b>Net Block</b>                |                   |                   |                        |                        |                   |
| As at March 31, 2020            | 6,796,810         | 1,531,846         | 409,074                | 1,841,428              | 10,579,158        |
| As at March 31, 2021            | 5,170,692         | 241,307           | -                      | 448,656                | 5,860,655         |

11 Intangible assets

(Amount in Rs.)

| Particulars                     | Computer software | Total            |
|---------------------------------|-------------------|------------------|
| <b>Gross block</b>              |                   |                  |
| As at April 01, 2019            | 6,478,649         | 6,478,649        |
| Additions                       | 3,364,401         | 3,364,401        |
| Deletions                       | -                 | -                |
| <b>As at March 31, 2020</b>     | <b>9,843,050</b>  | <b>9,843,050</b> |
| Additions                       | 1,798,149         | 1,798,149        |
| Deletions                       | 3,540,936         | 3,540,936        |
| <b>As at March 31, 2021</b>     | <b>8,100,263</b>  | <b>8,100,263</b> |
| <b>Accumulated amortisation</b> |                   |                  |
| As at April 01, 2019            | 4,458,207         | 4,458,207        |
| Charge for the year             | 1,087,411         | 1,087,411        |
| Deletions                       | -                 | -                |
| <b>As at March 31, 2020</b>     | <b>5,545,618</b>  | <b>5,545,618</b> |
| Charge for the year             | 2,602,895         | 2,602,895        |
| Deletions                       | 3,540,936         | 3,540,936        |
| <b>As at March 31, 2021</b>     | <b>4,607,577</b>  | <b>4,607,577</b> |
| <b>Net block</b>                |                   |                  |
| As at March 31, 2020            | 4,297,432         | 4,297,432        |
| As at March 31, 2021            | 3,492,686         | 3,492,686        |



12 Loans and advances

|  | (Amount in Rs.) |                |                |                |
|--|-----------------|----------------|----------------|----------------|
|  | Non-current     |                | Current        |                |
|  | March 31, 2021  | March 31, 2020 | March 31, 2021 | March 31, 2020 |
| <b>Security deposits</b>   |                 |                |                |                |
| Unsecured, considered good                                       | -               | 20,200,000     | 3,804,045      | 9,074,035      |
| Unsecured, considered doubtful                                   | -               | -              | 628,000        | -              |
|  | -               | 20,200,000     | 4,432,045      | 9,074,035      |
| Provision for doubtful security deposits                         | -               | -              | (628,000)      | -              |
| <b>(A)</b>   | -               | 20,200,000     | 3,804,045      | 9,074,035      |
| <b>Advances recoverable in cash or kind</b>                      |                 |                |                |                |
| Unsecured, considered good                                       | -               | -              | 685,866        | 4,592,492      |
| <b>(B)</b>   | -               | -              | 685,866        | 4,592,492      |
| <b>Loans/advances to related parties (refer notes 22 and 30)</b> |                 |                |                |                |
| Unsecured, considered good                                       | -               | -              | -              | 8,790,430      |
| <b>(C)</b>   | -               | -              | -              | 8,790,430      |
| <b>Other loans and advances</b>                                  |                 |                |                |                |
| <b>Unsecured, considered good</b>                                |                 |                |                |                |
| Advance income-tax (net of provision for taxation)               | 41,189,060      | 136,464,909    | -              | -              |
| Balance with statutory/ government authorities                   | -               | -              | 1,550,962      | -              |
| Prenaid expenses   | -               | -              | 24,401,970     | 10,727,553     |
| Loans/advances to employees                                      | -               | -              | 300,200        | 1,305,569      |
| <b>(D)</b>   | 41,189,060      | 136,464,909    | 26,253,132     | 12,033,122     |
| <b>Total (A+B+C+D)</b>   | 41,189,060      | 156,664,909    | 30,743,043     | 34,490,079     |

13 Trade receivables

|   | (Amount in Rs.) |                |
|---|-----------------|----------------|
|   | March 31, 2021  | March 31, 2020 |
| <b>Outstanding for a period exceeding six months from the date they are due for payment (refer note 22)</b> |                 |                |
| Unsecured, considered good  | 9,410,905       | 7,493,976      |
| Unsecured, considered doubtful  | 16,434,376      | 24,737,758     |
|   | 25,845,281      | 32,231,734     |
| Provision for doubtful receivables  | (16,434,376)    | (24,737,758)   |
| <b>(A)</b>  | 9,410,905       | 7,493,976      |
| <b>Other receivables (refer note 22)</b>  |                 |                |
| Unsecured, considered good  | 509,670,899     | 389,890,144    |
| Unsecured, considered doubtful  | 9,193,625       | 27,316,702     |
|   | 518,864,524     | 417,206,846    |
| Provision for doubtful receivables  | (9,193,625)     | (27,316,702)   |
| <b>(B)</b>  | 509,670,899     | 389,890,144    |
| <b>Total (A + B)</b>  | 519,081,804     | 397,384,120    |

14 Cash and bank balances

|   | (Amount in Rs.) |                |                |                |
|---|-----------------|----------------|----------------|----------------|
|   | Non-current     |                | Current        |                |
|   | March 31, 2021  | March 31, 2020 | March 31, 2021 | March 31, 2020 |
| <b>Cash and cash equivalents</b>                          |                 |                |                |                |
| Cash on hand  | -               | -              | -              | -              |
| Balances with banks                                       | -               | -              | -              | -              |
| - On current accounts                                     | -               | -              | 96,783,488     | 47,900,080     |
| <b>(A)</b>  | -               | -              | 96,783,488     | 47,900,080     |
| <b>Other bank balances</b>                                |                 |                |                |                |
| - Margin money deposits *                                 | 87,260,692      | 63,331,359     | -              | -              |
|   | 87,260,692      | 63,331,359     | -              | -              |
| <b>(B)</b>  | 87,260,692      | 63,331,359     | -              | -              |
| Amount disclosed under non-current assets (refer note 15) | (87,260,692)    | (63,331,359)   | -              | -              |
| <b>(C)</b>  | (87,260,692)    | (63,331,359)   | -              | -              |
| <b>(A+B+C)</b>  | -               | -              | 96,783,488     | 47,900,080     |

\* These are lien against short term borrowings from RBL Bank (refer note 8)

15 Other assets

|   | (Amount in Rs.) |                |                |                |
|---|-----------------|----------------|----------------|----------------|
|   | Non-current     |                | Current        |                |
|   | March 31, 2021  | March 31, 2020 | March 31, 2021 | March 31, 2020 |
| Non-current bank balances (refer note 14) | 87,260,692      | 63,331,359     | -              | -              |
| Unbilled revenue                          | -               | -              | 18,996,641     | 19,410,610     |
| Interest accrued on fixed deposits        | -               | -              | 384,850        | 344,919        |
|   | 87,260,692      | 63,331,359     | 19,381,491     | 19,755,529     |

(This space has been intentionally left blank)



16 Revenue from operations

|   | (Amount in Rs.)      |                      |
|---|----------------------|----------------------|
|   | March 31, 2021       | March 31, 2020       |
| Service income from group companies (refer notes 22 and 27) | 611,345,559          | 888,303,348          |
| Service income from external customers                      | 445,833,248          | 517,136,527          |
| Income from SMS campaigns                                   | 91,853,534           | 255,794,008          |
|   | <b>1,149,032,341</b> | <b>1,661,233,883</b> |

17 Other income

|   | (Amount in Rs.)   |                   |
|---|-------------------|-------------------|
|   | March 31, 2021    | March 31, 2020    |
| Export incentives   | 49,230,093        | -                 |
| Interest income on bank deposits (gross)  | 3,757,676         | 4,449,800         |
| Interest income on income tax refund  | 8,576,685         | 5,298,028         |
| Exchange differences (net)  | 7,643,517         | -                 |
| Provisions/ liabilities no longer required, written back (refer note 22)                | -                 | 1,763,897         |
| Profit on sale of property, plant and equipment (net)                                   | 551,709           | 7,601             |
| Provision for doubtful trade receivables and advances (including bad debts written off) | 3,649,580         | -                 |
| Other non-operating income  | 699,652           | -                 |
|   | <b>74,108,912</b> | <b>11,519,326</b> |

18 Employee benefit expenses

|   | (Amount in Rs.)    |                    |
|---|--------------------|--------------------|
|   | March 31, 2021     | March 31, 2020     |
| Salaries, wages and bonus                 | 646,747,464        | 896,622,677        |
| Contribution to provident and other funds | 7,896,762          | 12,701,443         |
| Gratuity expenses (refer note 25)         | 9,941,804          | 744,665            |
| Staff welfare expenses                    | 12,620,747         | 28,879,748         |
| Staff training and recruitment expenses   | 1,139,297          | 580,534            |
|   | <b>678,346,074</b> | <b>939,529,067</b> |

The Code on Social Security, 2020 ('Code') relating to employee benefits during employment and post-employment benefits received Presidential assent in September 2020. The Code has been published in the Gazette of India. However, the date on which the Code will come into effect has not been notified and the final rules/ interpretation have not yet been issued. The Company will assess the impact of the Code when it comes into effect and will record any related impact in the period the Code becomes effective. Based on a preliminary assessment, the entity believes the impact of the change will not be significant.

19 Other expenses

|   | (Amount in Rs.)   |                    |
|---|-------------------|--------------------|
|   | March 31, 2021    | March 31, 2020     |
| Travelling and conveyance   | 2,525,663         | 63,105,020         |
| Rent (refer note 23)  | 27,553,107        | 50,192,433         |
| Communication costs   | 5,058,113         | 12,673,166         |
| Auditor's remuneration*   | 2,172,560         | 1,872,560          |
| Power and fuel  | 7,060             | 8,909,240          |
| Provision for doubtful trade receivables and advances (including bad debts written off) | -                 | 43,466,910         |
| Advances/ deposits written off  | 5,750,992         | 3,527,052          |
| Selling and marketing expenses  | 11,038,395        | 18,001,123         |
| Repairs and maintenance - others  | 1,726,047         | 11,880,063         |
| Exchange differences (net)  | -                 | 1,536,929          |
| Rates and taxes   | 1,950,624         | 328,721            |
| Software and server charges (refer note 22)   | 34,774,649        | 50,707,812         |
| Miscellaneous expenses  | 6,657,590         | 11,972,015         |
|   | <b>99,214,800</b> | <b>278,173,044</b> |

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

|                           | (Amount in Rs.)  |                  |
|---------------------------|------------------|------------------|
|                           | March 31, 2021   | March 31, 2020   |
| As auditors:              |                  |                  |
| Statutory audit fees      | 2,000,000        | 1,700,000        |
| Reimbursement of expenses | 172,560          | 172,560          |
|                           | <b>2,172,560</b> | <b>1,872,560</b> |

20 Depreciation and amortisation expenses

|   | (Amount in Rs.)   |                   |
|---|-------------------|-------------------|
|   | March 31, 2021    | March 31, 2020    |
| Depreciation of property, plant and equipment (refer note 10) | 7,653,457         | 11,631,098        |
| Amortisation of intangible assets (refer note 11)             | 2,602,895         | 1,087,411         |
|   | <b>10,256,352</b> | <b>12,718,509</b> |

21 Finance costs

|                                   | (Amount in Rs.)   |                   |
|-----------------------------------|-------------------|-------------------|
|                                   | March 31, 2021    | March 31, 2020    |
| Interest on loans (refer note 22) | 11,111,486        | 19,404,012        |
| Interest - others                 | 1,610,447         | 3,752,833         |
| Bank and other finance charges    | 2,018,586         | 3,567,999         |
|                                   | <b>14,740,519</b> | <b>26,724,844</b> |



22 Related party disclosure

22.1

| Particulars   | Name of Related Parties   |
|---|---|
| Related party where control exists                              | Capillary Technologies International Pvt. Ltd., Singapore (Holding Company)   |
| Fellow subsidiaries   | Capillary Technologies Inc. USA<br>Capillary Technologies (UK) Limited, United Kingdom<br>Capillary Technologies DMCC, UAE<br>Rezonite Global E-Applications Private Limited, India<br>Capillary Technologies Shenzhen Co. Ltd, China<br>Capillary Technologies (Malaysia) Sdn Bhd<br>PT Capillary Technologies Indonesia |
| Enterprise significantly influenced by key managerial personnel | Capillary Technologies Private Limited, India<br>Darwinbox Digital Solutions Private Limited  |
| Key managerial personnel (KMP)                                  | Mr. Sridhar Bollam, Director<br>Mr. Anesh Reddy, Director<br>Mr. Arant Choubey, Director (appointed w.e.f January 02, 2020)<br>Mr. Abhijet Rajendra Vijayvergiya, 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, 2021              | March 31, 2020 |
| Capillary Technologies International Pvt. Ltd., Singapore | Holding company   | Provisions/ liabilities no longer required, written back | -                           | 1,124,677      |
|   |   | Excess commercial borrowings                             | -                           | 139,280,000    |
|   |   | Transactions during the year                             |                             |                |
|   |   | Collections on behalf of the Holding Company             | 1,893,666                   | -              |
|   |   | Finance costs  | 7,528,044                   | 1,571,800      |
|   |   | Service income   | 611,215,559                 | 888,303,348    |
|   |   | External commercial borrowings                           | 146,298,000                 | 150,940,000    |
|   |   | Interest accrued and due on borrowings                   | 7,528,044                   | 1,336,052      |
|   |   | Closing balances   |                             |                |
|   |   | Corporate guarantees taken                               | 120,000,000                 | 120,000,000    |
| Advances to related party                                 | -   | 6,333,963  |                             |                |
| Trade receivables   | 373,602,993   | 213,144,087  |                             |                |
| Trade payables  | 1,893,666   | -  |                             |                |
| Capillary Technologies DMCC, UAE                          | Fellow subsidiary   | Closing balances   | Advances to related party   | 2,456,467      |
| Capillary Technologies Private Limited, India             | Enterprise significantly influenced by key managerial personnel | Transactions during the year                             | Bad debts written off       | 7,093,339      |
| Darwinbox Digital Solutions Private Limited               |   | Transactions during the year                             | Software and server charges | 585,200        |
|   |   | Purchase of intangible assets                            | 626,271                     |                |
|   | Closing balances  | Trade payables   | 915,000                     | 632,016        |
| Mr. Sridhar Bollam  | Key managerial personnel  | Transactions during the year                             | Managerial remuneration*    | 5,042,612      |
| Mr. Anesh Reddy   | Key managerial personnel  | Transactions during the year                             | Managerial remuneration*    | 13,436,404     |
| Mr. Arant Choubey   | Key managerial personnel  | Transactions during the year                             | Managerial remuneration*    | 6,216,629      |

\* 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 2 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. 27,553,107 (March 31, 2020: Rs. 50,192,433)

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

| Particulars  | (Amount in Rs.) |                |
|--|-----------------|----------------|
|  | March 31, 2021  | March 31, 2020 |
| Payable not later than 1 year (net of prepaid rent)  | 6,983,620       | 53,403,333     |
| Payable later than 1 year and not later than 5 years | -               | 120,453,984    |
| Total  | 6,983,620       | 173,857,317    |

24 Earnings per share ('EPS'):

| Particulars   | March 31, 2021 | March 31, 2020 |
|---|----------------|----------------|
| 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)                              | 208,500,036    | 45,982,693     |
| EPS- basic and diluted (Rs. per share) (c = b/a)  | 89.37          | 19.71          |

(This space has been intentionally left blank)



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 summarizes 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, 2021   | March 31, 2020 |
| Current service cost                        | 8,503,103        | 9,264,133      |
| Interest cost on defined benefit obligation | 2,002,847        | 3,138,883      |
| Actuarial (gain)/ loss                      | (564,146)        | (11,658,351)   |
| <b>Net benefit expenses</b>                 | <b>9,941,804</b> | <b>744,665</b> |

Balance Sheet

Benefit asset / liability

| Particulars                                 | (Amount in Rs.)     |                     |
|---|---------------------|---------------------|
|   | March 31, 2021      | March 31, 2020      |
| Present value of defined benefit obligation | 34,763,121          | 36,427,843          |
| Fair value of plan assets                   | -                   | -                   |
| <b>Plan (liability)/ asset</b>              | <b>(34,763,121)</b> | <b>(36,427,843)</b> |

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

| Particulars                               | (Amount in Rs.)   |                   |
|---|-------------------|-------------------|
|   | March 31, 2021    | March 31, 2020    |
| Opening defined benefit obligation        | 36,427,843        | 46,702,207        |
| Interest cost                             | 2,002,847         | 3,138,883         |
| Current service cost                      | 8,503,103         | 9,264,133         |
| Benefits paid                             | (11,606,526)      | (11,019,029)      |
| Actuarial (gain)/ loss on obligation      | (564,146)         | (11,658,351)      |
| <b>Closing defined benefit obligation</b> | <b>34,763,121</b> | <b>36,427,843</b> |

The principal assumptions used in determining gratuity obligation:

| Particulars                               | (Amount in Rs.)  |                  |
|---|------------------|------------------|
|   | March 31, 2021   | March 31, 2020   |
| Discount rate (in a.1)                    | 6.52%            | 6.34%            |
| Expected rate of salary increase (in a.1) | 10%              | Refer note (ii)  |
| Employee turnover (in a.1)                | 28.62%           | 28.62%           |
| Mortality rate                            | Refer note (iii) | Refer note (iii) |

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

| Particulars                                | (Amount in Rs.) |                |                |                |                |
|--|-----------------|----------------|----------------|----------------|----------------|
|  | March 31, 2021  | March 31, 2020 | March 31, 2019 | March 31, 2018 | March 31, 2017 |
| Defined benefit obligation                 | 34,763,121      | 36,427,843     | 46,702,207     | 35,626,648     | 27,668,984     |
| Expectancy adjustments on plan liabilities | (2,955,436)     | (5,224,804)    | (794,765)      | 5,118,469      | (777,241)      |

Notes

i) Salary Escalation Rate

| Years        | Rate of escalation |
|--------------|--------------------|
| First year   | 10.0%              |
| Next 3 years | 0.0%               |
| Future years | 10.0%              |

ii) As per Indian Assured Lives Mortality (2012-14) (Ultimate) (March 31, 2020): As per Indian Assured Lives Mortality (2012-14) (Ultimate)

iii) The estimates of future increase in compensation levels, considered in actuarial valuations, 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, 2021    | March 31, 2020    |
| Software and server charges    | 6,967,877         | 8,147,295         |
| Cost of customer services      | 248,168           | 6,397,296         |
| Selling and marketing expenses | -                 | 243,567           |
| Legal and professional fees    | -                 | 532,751           |
| Finance costs                  | 7,528,044         | 1,571,800         |
| <b>Total</b>                   | <b>14,684,089</b> | <b>16,892,709</b> |

27 Earnings in foreign currency [on accrual basis]

| Particulars   | (Amount in Rs.)    |                    |
|---|--------------------|--------------------|
|   | March 31, 2021     | March 31, 2020     |
| Service income from group companies (refer notes 22 and 28) | 611,345,559        | 888,303,348        |
| <b>Total</b>  | <b>611,345,559</b> | <b>888,303,348</b> |

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, 2021       |                    |                     | March 31, 2020       |                    |                     |
|               | Segment revenue      | Segment assets     | Capital expenditure | Segment revenue      | Segment assets     | Capital expenditure |
| Within India  | 537,686,782          | 430,189,976        | 5,217,834           | 772,930,535          | 511,402,683        | 6,027,911           |
| Outside India | 611,345,559          | 373,602,993        | -                   | 888,303,348          | 223,378,983        | -                   |
| <b>Total</b>  | <b>1,149,032,341</b> | <b>803,792,919</b> | <b>5,217,834</b>    | <b>1,661,233,883</b> | <b>734,402,666</b> | <b>6,027,911</b>    |



29 Contingent liabilities

| Particulars                          | (Amount in Rs.)  |                |
|--------------------------------------|------------------|----------------|
|                                      | March 31, 2021   | March 31, 2020 |
| Bank guarantees given by the Company | 3,914,360        | -              |
| <b>Total</b>                         | <b>3,914,360</b> | <b>-</b>       |

Others in addition to above:

(i) The Supreme court of India in the month of February 2019 had passed a judgement relating to definition 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.

(ii) Also refer note 18.

30 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, 2021  |                 | March 31, 2020  |                 |
|---|-----------------|-----------------|-----------------|-----------------|
|   | (Amount in USD) | (Amount in Rs.) | (Amount in USD) | (Amount in Rs.) |
| <b>Trade receivables</b>  |                 |                 |                 |                 |
| USD   | 5,107,424       | 373,602,593     | 2,824,223       | 213,144,087     |
| <b>Loans and advances</b>   |                 |                 |                 |                 |
| USD   | -               | -               | 135,615         | 10,234,896      |
| <b>Long-term borrowings (including interest accrued and due on ECB)</b> |                 |                 |                 |                 |
| USD   | 2,102,914       | 153,826,044     | 2,017,703       | 152,276,052     |
| <b>Trade and other payables</b>   |                 |                 |                 |                 |
| USD   | 38,200          | 2,794,325       | 6,644           | 501,406         |

31 The selected employees of the Company were granted employee stock options of Capillary Technologies International Pte. 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.

32 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, 2021 and March 31, 2020.

33 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, 2021, 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.

34 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 the balance sheet date.

The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year.

|   | (Amount in Rs.)  |                  |
|---|------------------|------------------|
|   | March 31, 2021   | March 31, 2020   |
| Principal amount due to micro and small enterprises | 5,208,278        | 2,479,491        |
| Interest due on above                               | -                | -                |
| <b>Total</b>  | <b>5,208,278</b> | <b>2,479,491</b> |

|  | (Amount in Rs.) |                |
|--|-----------------|----------------|
|  | March 31, 2021  | March 31, 2020 |
| The amount of interest paid by the buyer in terms of section 16 of the MSMED Act 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year  | -               | -              |
| The 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 2006  | -               | -              |
| The amount of interest accrued and remaining unpaid at the end of each accounting year   | -               | -              |
| The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act 2006. | -               | -              |

(This space has been intentionally left blank)



- 35 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 volume 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 judgments, 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.
- 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 had 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 projections had adopted the reduced rates of tax as per the Income Tax Act, 1961 from the previous year.
- 37 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

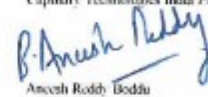
For S.R. Batliboi & Associates LLP  
Chartered Accountants  
ICAI firm registration number: 101049W/E300004


  
Anand Kumar  
Partner  
Membership No. 761207



Place: Bengaluru  
Date: July 30, 2021

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

  
Anesh Reddy Boddu  
Director  
DIN: 02214511

  
Anant Chitambar  
Director  
DIN: 06536413

  
G. Bhargava  
Company Secretary  
Membership Number - A17091



Place: Bengaluru  
Date: July 30, 2021

Place: Bengaluru  
Date: July 30, 2021