

Capillary Technologies India Limited

Annual Report 2022-23

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Corporate Information

Board of Directors

Aneesh Reddy Boddu
Managing Director and Vice Chairman
Anant Choubey
*Executive Director ,Chief Financial Officer and
Chief Operating Officer,*
Neelam Dhawan
Chairperson and Independent Director
Farid Lalji Kazani
Independent Director
Sameer Garde
Executive Director and Chief Executive officer
Venkat Ramana Tadanki
Independent Director
Yamini Preethi Natti
Independent Director

Registered & Corporate Office

#36/5, 2nd Floor, Somasandra Palya, adjacent
27th Main Road, Sector 2, HSR Layout,
Bengaluru, Karnataka 560102

Bankers

HDFC Bank Limited

Website

www.capillarytech.com

Statutory Auditors

Walker Chandiook & Co. LLP

Committees of the Board

Audit

Farid Lalji Kazani
Anant Choubey
Neelam Dhawan
Venkat Ramana Tadanki

Corporate Social Responsibility

Yamini Preeti Natti
Anant Choubey
Venkat Ramana Tadanki

Risk Management

Neelam Dhawan
Anant Choubey
Farid Lalji Kazani

Nomination and Remuneration

Venkat Ramana Tadanki
Neelam Dhawan
Yamini Preeti Natti

Stakeholder's relationship

Neelam Dhawan
Aneesh Reddy Boddu
Farid Lalji Kazani

Strategic Business Development

Sameer Garde
Aneesh Reddy Boddu
Anant Choubey

Management and Independent Directors



Aneesh Reddy Boddu
Executive Director and CEO

Aneesh Reddy Boddu is the Founder, the Managing Director and Vice Chairman of our company. He holds a bachelor's degree in manufacturing science and engineering from the Indian Institute of Technology, Kharagpur. At the Indian Institute of Technology, Kharagpur, he co-founded the 'Entrepreneurship Cell' and was awarded the 'Distinguished Alumnus Award' by the institute in 2017.

In 2014, he was recognized by Fortune India magazine as one of the '40 under 40 - India's Brightest Young Business Minds' followed by another recognition by The Economic Times under the 'ET 40 under Forty' list in 2017. He was previously associated with ITC Limited.



Anant Choubey
Executive Director and COO

Anant Choubey is the Co-founder, the Executive Director, the Chief Financial Officer and Chief Operating Officer of our company. He has been a part of our company group since 2010. He holds a bachelor's degree in industrial engineering from the Indian Institute of Technology, Kharagpur.

He was previously associated with Procter & Gamble Home Products Private Limited where, in 2008, he was awarded the 'Special Appreciation Award' and was also one of the youngest employees to receive recognition shares from the Company.



Neelam Dhawan
Independent Director

Neelam Dhawan is the Chairperson and an Independent Director of our company. She holds a bachelor's degree in arts (economics) from the University of Delhi and a master's degree in business administration from the University of Delhi.

She was previously associated with Hewlett-Packard Enterprise India Private Limited as Vice-President - Solutions Sales, and with HP India Sales Private Limited, Hewlett-Packard India Private Limited, Microsoft Corporation (India) Private Limited as their Managing Director. Currently, she serves as an independent director on the boards of HUL, ICICI Bank Limited, Fractal Analytics Private Limited and Capita PLC in the United Kingdom and Yatra Online Limited and Inc, as Director.



Farid Lalji Kazani
Independent Director

Farid Lalji Kazani is an Independent Director of our company. He holds a bachelor's degree in commerce from the University of Mumbai. He is also a member of the Institute of Chartered Accountants of India and the Institute of Cost and Works Accountants of India.

He has been bestowed with several accolades including 'India CFO Award for Excellence in Mergers and Acquisitions by IMA India in 2016, the 'Best Digital Transformation Critical Finance Expert' award by Acquisitions International magazine at the 2019 Global CFO Excellence Awards and recognition by 9.9 Media in the 'CFO100 Roll of Honour' for the years 2013, 2015, 2016, 2017, 2018 and 2019 respectively.

He is currently working as the Executive Vice-President of Course5 Intelligence Private Limited. He was previously associated with Majesco Limited in the capacity of a Managing Director, with RPG Enterprises Limited in the capacity of Vice-President (Corporate Finance), with BPL Mobile Communications Limited as their Head, Corporate Finance and with First source Solutions Limited in the capacity of Chief Financial Officer (India).



Sameer Garde
Independent Director

Sameer Garde is our Executive Director and Chief Executive Officer of the company. He holds a bachelor's degree in mechanical engineering from the Indian Institute of Technology, Delhi and a post-graduate diploma in management from the Indian Institute of Management, Calcutta.

He was previously associated with Cisco Commerce India Private Limited as Vice-President, Theatre Leader, with Samsung India Electronic Private Limited in the capacity of Senior Vice-President, Enterprise Business, with Pepsi Foods Limited as General Manager, Marketing, with IQLECT Solutions Private Limited in the capacity of Head-Strategy Alliances and Partnerships, with Phillips India Limited in the capacity of Sector Market Leader, Healthcare and with Nestle India Limited, Hewlett-Packard Enterprise India Private Limited, Whirlpool of India Limited and Chief Executive Officer- Artificial Intelligence Unit with the National Entrepreneurship Network.



Venkat Ramana

Independent Director

Venkat Ramana Tadanki is an Independent Director of our company. He holds a bachelor's degree in economics (honors) from the University of Delhi and a post-graduate diploma in management from the Indian Institute of Management, Calcutta.

He is also a charter member of TiE SoCal, Southern California. He was previously associated with ITC Limited for Fortune Tobacco Company in the United States, Daksh, and with PepsiCo India Holdings Private Limited.



Yamini Preethi Natti

Independent Director

Yamini Preethi Natti is an Independent Director of our company. She holds a bachelor's degree in computer science engineering from the Birla Institute of Technology and Science, Pilani and a post-graduate diploma in management from the Indian Institute of Management, Bangalore.

She was previously associated with McKinsey & Company, Inc. She is the Co-founder and Chief Executive Officer of Vymo Inc.

Board's Report

Dear Members,

On behalf of the Board of Directors (the 'Board'), it is our pleasure to present 11th Board's Report of your Company, along with the Audited Financial Statements and Auditor's Report for the Financial Year ended March 31, 2023.

1. Financial Performance

On a consolidated basis, your Company's revenue increased to INR 3226.81 for the current year as against INR 2230.69 in the previous year. Your Company's net loss decreased to INR (943.27) for the current year as against INR (1017.82) in the previous year. On a standalone basis, your Company's sales decreased to INR 1502.99 for the current year as against INR 1633.36 in the previous year. Your Company's net loss increased to INR (905.56) in the current year as against INR (225.32) Million in the previous year.

Particulars	INR in Million			
	Standalone		Consolidated	
	2022-23	2021-22	2022-23	2021-22
Revenue from operations	1502.99	1633.36	3226.81	2230.69
Other Income	61.70	8.64	108.81	13.67
Total Expenses	2463.63	1703.51	4376.71	3115.45
Profit/(Loss) before Exceptional items and Tax	(900.64)	(61.51)	(1041.09)	(871.09)
Exceptional items	-	(160.07)	113.82	(160.07)
Profit/(Loss) before tax	(900.64)	(221.58)	(927.27)	(1031.16)
Profit/(Loss) after tax	(900.64)	(221.58)	(877.19)	(1008.41)
Other comprehensive income	(4.92)	(3.74)	(66.08)	(9.41)
Total comprehensive income/(Loss) for the year	(905.56)	(225.32)	(943.27)	(1017.82)
EPS				
-Basic	(18.00)	(4.53)	(17.53)	(20.62)
-Diluted	(18.00)	(4.53)	(17.53)	(20.62)

1.1. Business Performance

Business performance is highlighted in Managing Director and CEO's message. Copy of the same shall be circulated separately.

1.2 Amount, if any, which the Board proposes to carry to any reserves

Your Company does not propose to transfer any amount to the reserves for financial year 2022-23.

1.3 Dividend

Your Company does not propose to declare any dividend for financial year 2022-23.

1.4 Major events occurred during the year

a) State of the Company's affairs

- **Initial Public Offering**

Your Company had filed Draft Red Herring Prospectus with Securities and Exchange Board of India ("SEBI") on December 24, 2021, for proposed Initial Public Offering (IPO), and as per the SEBI observation letter dated April 30, 2022, your Company has 12 months to open proposed IPO for subscription from date of SEBI's letter.

However, considering the volatility of market conditions and certain strategic considerations, Board of Directors at their meeting held on March 21, 2023 has decided to withdraw the Draft Red Herring Prospectus. Accordingly the Company vide its letter dated April 05, 2023 submitted withdrawal application to SEBI, Bombay Stock Exchange ('BSE'), National Stock Exchange ('NSE') and other intermediaries.

- **Acquisition of Brierley entities and asset purchase from Tenerity**

Subsequent to the year end March, 2023, the Company:

- On 1st April, 2023, through its wholly owned subsidiary i.e Capillary Pte. Ltd, has acquired entire stake in Capillary Technologies Europe Limited (Formerly Known as Brierley Europe Limited) established under the laws of England and wales.
- On 1st April, 2023, through its step down subsidiary i.e Capillary Technologies LLC (Previously known as Persuade Loyalty LLC) has acquired entire stake in Capillary Brierley Inc (Formerly known as Brierley and Partners Inc) incorporated under the laws of the state of Delaware; and
- On 1st June, 2023, acquired assets from Tenerity, LLC.

b) Change in the nature of business

Your Company has not commenced any new business or discontinued/ sold or disposed of any of its existing businesses or hived off any segment or division during the financial year 2022-23 under review.

c) Material changes and commitments, if any, affecting the financial position of the Company, having occurred since the end of the Year and till the date of the Report

Except as mention under the state of affairs of the company, in the opinion of the Board, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report, which would affect substantially the results, or the operations of your Company for the financial year in respect of which this report is made.

1.5 Details of revision of financial statement or the Report

Your Company has not revised its financial statement or the Report in respect of any of the three preceding financial years either voluntarily or pursuant to the order of a judicial authority.

2. General Information

People Practice

People practice is a corporate team that functions across all its business units and center of excellence. During the year under review, the company launched many new initiatives around the aspects of talent acquisition such as implementing a new ATS (Skillate) to streamline the recruitment process, ensuring a seamless transition of new joiners into the organization through the “Capillary Launchpad” initiative - making it a robust induction program and introduction of the referral policy “Bring Your Buddy” and the “Internal Job Posting” policy to source top talent in niche categories.

“Capillary Academy” established itself as a go to place for all product and department related training programs, with a plethora of modules and improved reporting mechanisms over the last twelve months. As part of leadership development initiatives, JEDI and senior managers underwent group workshops / retreats as well as one-on-one coaching sessions linking it to OKRs and the growing needs of effective management. Programmes pertaining to first time manager training and follow-up coaching engagements are scheduled for FY 23-24.

Utilizing the “xto10x platform” to introduce a goal-setting framework aligned with the organization's strategic objectives last year helped in integrating objective

setting, feedback reviews, mid-year reviews and appraisal on the system, providing an end-to-end visibility on an employee's performance management. Introduction of the "Capillary Rookie Award of the Year" as part of the R&R initiative, to recognize newcomers who have made an impact. In the direction of inclusiveness, LGBTQ+ employees can now cover their partner under insurance scheme, without the limitation of the partner being a spouse legally.

In addition, the people practice team continues to connect with the managers to improve the eNPS scores as well as identify areas to work-upon as part of the feedback through these internal surveys. "HR Open House" and "All Hands Meetings" help employees learn more about current policies, changes within the organization and involve employees in decision-making processes. We continue to ensure overall well-being of the employee by implementing wellness programs like "Blood Donation Camps and Inner Peace Initiatives" and providing access to counselling services under "YourDost".

These initiatives align with the organization's goals of attracting and retaining top talent, driving employee engagement, and achieving long-term success.

3. Capital and debt structure

3.1 Issue of shares or other convertible securities

During the financial year under review, following are the changes:

a. change in the authorized, issued, subscribed and paid-up share capital;

(i) Authorised Capital:

The Authorised share capital of the Company is as given below and there is no change compared to previous year:

Date of modification	Equity share Capital	Preference share Capital	Unclassified Capital	Total Authorised Capital
Original Share Capital at the time of Incorporation				
	10,00,000/-	0/-	0/-	10,00,000/-
Subsequent Modifications				
May 04, 2012	1,90,00,000/-	0/-	0/-	1,90,00,000/-
March 27, 2015	2,50,00,000/-	0/-	0/-	2,50,00,000/-
August 19, 2021	11,00,00,000/-	0/-	0/-	11,00,00,000/-

September 29, 2021	11,00,00,000/-	10,00,000/-	0/-	11,10,00,000/-
November 24, 2021	15,00,00,000/-	10,00,000/-	0/-	15,10,00,000/-

(ii) Issued, subscribed and paid-up share capital

As on date of this report, the issued, subscribed and paid-up share capital of the Company has changed from INR. 10,00,25,912/- (Rupees Ten Crore Twenty Five Thousand Nine Hundred and Twelve Only) to INR. 10,94,09,102/- (Rupees Ten Crore Ninety four Lakh Nine Thousand One Hundred and Two Only) details of which are given below:

Equity Share Capital

Date of allotment	Nature of allotment	No. of equity shares allotted	Face value Per equity Share (INR)	Issue price per equity share	Nature of consideration
March 29, 2023	Preferential Allotment	26,64,285	2/-	308/-	Cash
March 29, 2023	Bonus Issue	2,14,656	2/-	NA	NA
April 17, 2023	Preferential Allotment	4,65,249	2/-	308/-	Cash
June 27, 2023	Preferential Allotment	3,24,676	2/-	308/-	Cash
August 03, 2023	Preferential Allotment	5,35,715	2/-	308/-	Cash
August 11, 2023	Preferential Allotment	4,87,014	2/-	308/-	Cash

b. Reclassification or sub-division of the authorised share capital;

During the financial year under review, the Company has not undertaken any reclassification or sub-division of the authorised capital in terms of Companies Act 2013.

c. Reduction of share capital or buy back of shares;

The Company has not reduced nor bought back any shares.

d. Change in the capital structure resulting from restructuring

There is no change in the capital structure resulting from restructuring.

e. Change in voting rights

There is no change in the voting rights.

3.2 Issue of equity shares with differential rights and Sweat Equity Shares-

During the financial year under review, the Company has neither issued equity shares with differential rights nor issued sweat equity shares in terms of Companies Act 2013.

3.3 Details of employee stock options

Pursuant to approval of the members of your Company dated October 29, 2021, the Company had adopted “Capillary Employees Stock Option Scheme- 2021” (hereinafter referred to as the “ESOP 2021” / “Scheme”) which was amended on November 30, 2021. Under the scheme, your Company grants share-based benefits to the eligible employees by granting stock options (“Options”), with a view to attract and retain talent in and within the Company, encourage employees to strive to perform better, and ultimately incentivize such employees who exhibit traits appreciated by the Company. Further pursuant to approval of the members dated March 24, 2023, your Company approved to amend the aforesaid scheme to include restricted stock units within the overall ESOP pool of 71,75,000 options.

Disclosure as required under Rule 12 of Companies (Share Capital and Debentures) Rules, 2014 as on March 31, 2023:

(a) options granted;	38,06,262
(b) options vested;	19,90,196
(c) options exercised;	Nil
(d) the total number of shares arising as a result of exercise of options;	Nil
(e) options lapsed(due to exit of employees):	15,74,451
(f) the exercise price;	Face Value
(g) variation in terms of options;	Not applicable
(h) money realised by exercise of options;	Nil
(i) total number of options in force;	71,75,000
(j) <u>employee wise details of options granted to:</u>	(i) a) Aneesh Reddy Boddu-9,52,309
(i) Key Managerial Personnel;	(b) Anant Choubey-2,76,644

<p>(ii) any other employee who receives a grant of options in any one year of options amounting to five percent or more of total options granted during that year;</p> <p>(iii) Identified employees who were granted options, during any one year, equal to or exceeding one percent of the issued capital, excluding outstanding warrants and conversions, of the Company at the time of grant.</p>	<p>(c) G Bhargavi Reddy- 2,266</p> <p>(ii) Nil</p> <p>(iii) a. Aneesh Reddy Boddu- 9,52,309 b. Sameer Garde- 3,80,890</p>
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3.4 Shares held in trust for the benefit of employees where the voting rights are not exercised directly by the employees-

During the financial year 2022-23 under review, no shares were held in trust for the benefit of employees where the voting rights are not exercised directly by the employee.

3.5 Issue of debentures, warrants, bonds or any non-convertible securities-

During the financial year under review and till the date of this report, the Company has issued and allotted 6,000 Non-Convertible Debentures of face value of INR. 1,00,000/- each in three tranches amounting to INR. 60,00,00,000/- (Sixty Crore Only) to InnoVen Capital India Fund acting through its trustee, Vistra ITCL (India) Limited.

During the financial year under review, the Company has not issued any warrants, bonds or any convertible securities in terms of Companies Act 2013.

4. Credit Rating of securities

During the financial year under review, your Company has neither obtained nor revised any credit rating in respect of securities.

5. Investor education and protection fund (IEPF)

During the financial year under review, disclosure pursuant to Investor Education and Protection Fund under sub-section (2) of section 125 of the Act and the IEPF (Accounting, Audit, Transfer and Refund) Rules, 2016 are not applicable to your Company.

6. Management

6.1. Directors and Key Managerial Personnel

As on the date of this report, the Company has seven (7) directors consisting of four (4) Independent directors and three (3) Executive directors. The composition of the Board is in conformity with Section 149 and 152 of the Act.

None of the Directors on the Board:

- holds directorships in more than ten public companies;
- serves as Director or as independent directors in more than seven listed entities; and
- who are the Executive Directors serves as independent directors in more than three listed entities.
- are related to each other.

Necessary disclosures regarding Committee positions in other public companies as on March 31, 2023 have been made by the Directors.

The Key Managerial Personnel's of the Company as per the Companies Act, 2013, as on March 31, 2023 are:

Sr. no	Name	Designation
01.	Mr. Aneesh Reddy Boddu	Managing Director and Vice Chairman
02.	Mr. Anant Choubey	Executive Director, Chief finance officer and Chief operating officer
03.	Mrs. G Bhargavi Reddy	Company Secretary and Compliance officer

During the financial year under review:

1. Mr. Mahendra Chordia resigned as CFO & KMP effective from May 13, 2022 and Board of Directors vide its resolution dated September 02, 2022 appointed Mr. Anant Choubey as Chief financial officer & KMP of the Company.
2. Mr. Aneesh Reddy Boddu's designation was changed from Executive Director & CEO to Managing Director & Vice Chairman of the Company with effect from January 01, 2023 consequent to shareholders resolution dated September 29, 2022.

a. Disqualification of Directors

None of the directors of the Company are disqualified pursuant to the provisions of Section 164 of Companies Act, 2013 or debarred or disqualified from being appointed

or continuing as directors of companies by the Securities and Exchange Board of India or Ministry of Corporate Affairs or any such statutory authority.

b. Appointment / Resignation from the Board of Directors

- Mr. Aneesh Reddy Boddu's (DIN-02214511) designation was changed from Executive Director & CEO to Managing Director & Vice Chairman of the Company with effect from January 01, 2023 consequent to shareholders resolution dated September 29, 2022.
- Mr. Sameer Garde's (DIN 02399137) designation was changed from Independent Director (Non- Executive Director) to Executive Director & Chief Executive Officer of the Company with effect from January 01, 2023 consequent to shareholders resolution dated September 29, 2022 for a period of three years commencing from January 1, 2023 to December 31, 2025, liable to retire by rotation.
- Consequent to change of designation as prescribed above, Mr. Sameer Garde (DIN 02399137) resigned as Independent Director in Capillary Pte. Ltd and Capillary Technologies DMCC. Mr. Venkat Ramana Tadanki (DIN 00149481) was appointed as Independent Director in his place effective from January 01, 2023 in both the Companies.

Mr. Venkat Ramana Tadanki was also appointed as director in newly acquired entities Capillary Technologies Europe Limited and Capillary Brierley Inc.

c. Directors retiring by rotation

In accordance with the provisions of Section 152 of the Companies Act, 2013 read with Section 149 of the said Act, at least 2/3rd of the total number of Directors, excluding Independent Directors, shall be liable to retire by rotation and out of the Directors liable to retire by rotation, at least 1/3rd of the Directors shall retire by rotation at every Annual General Meeting.

In view of the above, Mr. Anant Choubey (DIN- 06536413), who has been longest in office since his appointment, who is liable to retire by rotation and being eligible, offers himself for re-appointment, a resolution seeking shareholders' approval for his re- appointment forms part of the notice. The Board recommends his re-appointment.

d. Declaration by Independent Director

- The Company has received necessary declaration from each of the Independent Directors, under Section 149(7) of the Companies Act, 2013, that he / she meets the criteria of Independence laid down in Section 149(6) of the Companies Act, 2013 and Independent Directors have complied with the Code for Independent Directors prescribed in Schedule IV to the Act. Further, the Independent Directors have included their names in the data bank of

Independent Directors maintained with the Indian Institute of Corporate Affairs in terms of Section 150 of the Act read with Rule 6 of the Companies (Appointment and Qualification of Directors) Rules, 2014.

- Further, Independent Directors have also confirmed that they are not aware of any circumstance or situation, which exist or may be reasonably anticipated, that could impair or impact their ability to discharge their duties with an objective independent judgment and without any external influence and that they are independent of the management.
- The Independent Directors attend a Familiarization / Orientation Program on being inducted into the Board. Further, various other programmes are conducted for the benefit of Independent Directors to provide periodical updates on regulatory front, product, engineering, sales and marketing developments and any other significant matters of importance. The details of the Familiarization programmes provided by the Company is available on the Company's Website at <https://www.capillarytech.com/investors>.

Further the Company issues a formal letter of appointment to the Independent Directors, outlining their role, function, duties and responsibilities, the format of which is available on the Company's Website at <https://www.capillarytech.com/investors>.

- During the year under review and as on date of this report:
 - Consequent to change in designation the Advisory services which was availed by the Company from Mr. Sameer Garde was terminated effective from January 01, 2023.
 - Except for payment of professional fee to M/s. Amir Advisory Services LLP (where Mr. Farid Lalji Kazani- Independent Director is a partner) for availing advisory services, the Company did not have any pecuniary relationship or transactions with any of its Directors, other than payment of remuneration / Incentive to the Executive Directors and payment of sitting fees to Independent Directors and reimbursement of expenses incurred by them for the purpose of attending meetings of the Board / Committees of the Company.
 - An addendum to advisory services agreement was entered into on March 14, 2023 by the Company with M/s. Amir Advisory Services LLP, for a tenure not exceeding a period of 12 months, for which they shall be paid INR. 1 lakh per day spent on the assignment but not exceeding total fee of INR. 40 lakh over a period of 12 Months, which is lesser than 10% of total gross turnover/ income of the Mr. Farid. Mr. Farid Lalji Kazani (Independent Director) and his daughter are partners

of the said LLP.

- In the opinion of the Board, all the independent directors appointed during the year are persons of integrity, possesses relevant expertise and experience (including the proficiency).
- As required under Rule 6 of the Companies (Appointment and Qualification of Directors) Rules, 2014, as on date of this report the details of Independent Directors, pertaining to the online proficiency Self-Assessment test conducted by IICA are as below:

Sr. no	Name	Designation	Date of Registration	Online Proficiency Self-Assessment Test Exemption Status	Status of Online Proficiency Test
01.	Mrs. Neelam Dhawan	Chairperson (Independent Director)	19 Feb 2020	Exempted	Not Applicable
02.	Mr. Farid Lalji Kazani	Independent Director	21 Feb 2020	Exempted	Not Applicable
03.	Mr. Venkat Ramana Tadanki	Independent Director	18 Oct 2021	Not Exempted	Passed
04.	Mrs. Yamini Preethi Natti	Independent Director	01 Nov 2021	Not Exempted	Not yet Passed

e. Woman Director

In terms of the provisions of Section 149 of the Companies Act, 2013, your Company has complied with the requirement of having at least one Independent Woman Director on the Board of the Company. Mrs. Neelam Dhawan (00871445) Chairperson and Independent Woman Director and Mrs. Yamini Preethi Natti (DIN 06533367) Independent Women Director of the Company.

f. Changes in KMP

During the year under review and as on date of this report, following changes have taken place in the composition of whole time key managerial personnel ('KMP') as per provision of section 203 of the Companies Act 2013.

- Mr. Aneesh Reddy Boddu's designation was changed from Executive Director

& CEO to Managing Director & Vice Chairman of the Company with effect from January 01, 2023 consequent to shareholders resolution dated September 29, 2022.

- Mr. Sameer Garde was appointed as an Executive Director and Chief Executive Officer of the Company with effect from January 01, 2023 consequent to shareholders resolution dated September 29, 2022.
- Mr. Mahendra Chordia, resigned effective from May 13, 2022 as Chief Financial Officer & KMP of the Company. Consequently Mr. Anant Choubey Executive Director & COO was appointed as a chief financial officer & KMP of the Company with effect from September 02, 2022.

6.2 Board Meetings

Ten Board Meetings were held during the year under review and the gap between two meetings did not exceed one hundred and twenty days. The said meetings were held on:

Sr. no	Date of Meetings	No of Meeting Directors eligible to attend	No of Meeting Directors attended	% of Attendance
01	June 22, 2022	7	6	85
02	September 02, 2022	7	7	100
03	September 26, 2022	7	7	100
04	October 10, 2022	7	7	100
05	November 18, 2022	7	6	85
06	December 19, 2022	7	7	100
07	February 20, 2023	7	6	85
08	February 28, 2023	7	5	71
09	March 11, 2023	7	5	71
10	March 21, 2023	7	7	100

6.3 Committees

As on March 31, 2023, the Board had the following seven (7) committees:

1. Audit Committee
2. Nomination & Remuneration Committee
3. Risk Management Committee
4. Stakeholders Relationship Committee

5. Corporate Social Responsibility Committee
6. Strategic and Business Development Committee and
7. Initial Public Offering ('IPO') Committee

The details of the composition, terms of references are available on the Company's website.

6.4 Recommendations of Audit Committee

There have been no instances during the year where recommendations of the Audit Committee were not accepted by the Board.

6.5 Company's Policy on Directors' appointment and remuneration

In compliance with Section 178 of the Companies Act 2013 , the Board has formulated a 'Nomination and Remuneration Policy' on Directors' appointment and remuneration including recommendation on remuneration of the key managerial personnel and other employees and the criteria for determining qualifications, positive attributes and independence of a director.

The Policy is available on the Investors section of the website of your Company at <https://www.capillarytech.com/investors/policies-and-codes>.

6.6 Board Evaluation

The provisions of section 134 (p) of the Companies Act, 2013, with respect statement indicating the manner in which formal annual evaluation of the Board, its Committees and Individual Directors are not applicable to the Company, as the paid up share capital of the Company is less than INR.25 crore as on March 31,2022.

However, the Company on voluntary basis has availed services from a third party platform provider for Directors to undertake the evaluation of the Board, its Committees and Individual Directors. In a separate meeting of Independent Directors held on March 11, 2023, the performance of Non Independent Directors, the Chairperson of the Board and the Board as a whole was evaluated by the Independent Directors.

6.7 Remuneration of Directors and Employees

- Rule 5 (1) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is not applicable to your Company as on March 31, 2023.
- Statement containing details of employees as required in terms of Section 197 of the Act read with Rule 5(2) and Rule 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is available for inspection at the Registered Office of the Company during working hours. A

copy of the statement may be obtained by shareholders by writing to the Company Secretary at the Registered & Corporate Office of the Company or at secretarial@capillarytech.com.

6.8 Remuneration received by Managing/Whole time Director from holding or subsidiary Company

No managing or whole-time director of the Company is in receipt of any remunerations/ commission from holding Company or Subsidiary Company.

6.9 Directors' Responsibility Statement

Your Directors hereby confirm that:

(a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

(b) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for that period;

(c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(d) the directors had prepared the annual accounts on a going concern basis; and

(e) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

6.10 Internal Financial Controls and its adequacy

Your Company has an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2023, based on the criteria for internal financial control over financial reporting established by the Company. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

6.11 Frauds reported by the Auditor

During the financial year under review, pursuant to provisions of the Section 143(12) of the Companies Act, 2013, the Auditor has not reported any incident of fraud to the Audit, Risk management Committee.

Your Company has adopted Fraud Prevention Policy. The Policy is available on the Investor Relations section of the website of your Company at <https://www.capillarytech.com/investors/policies-and-codes>.

6.12 Adoption and review of policies

The details of the policies approved and adopted by the Board & Committees as required under the Companies Act, 2013 and Securities and Exchange Board of India (SEBI) regulations to facilitate the Initial Public offering ('IPO') are provided in **Annexure I** to the Board's report. The Board of Directors vide its resolution dated March 21, 2023 approved to place following policies on hold on its applicability to the Company till the time Board seeks fresh approval for IPO from members of the Company.

Sr. no	Policies
01.	Policy on Preservation of Documents and Archival Policy
02.	Policy for Determining & Reporting of Material Event
03.	Policy on Materiality of and dealing with Related Party Transactions(not applicable to the extent of SEBI LODR Regulations, 2015)
04.	Policy for determining 'material' subsidiaries
05.	Insider Trading Prohibition Code

6.13 Report on Corporate Governance

The Report on Corporate Governance is not applicable to your Company.

7. Disclosures relating to holding, subsidiaries, associates and joint ventures

As on March 31, 2023, our holding Company is Capillary Technologies International Pte Ltd ('CTIPL') which holds 4,90,40,412 equity shares together with its nominee, representing 92.71% of the issued, subscribed and paid-up equity share capital of our Company.

As on March 31, 2023, our Company had 7 (Seven) subsidiaries including 1 (one) direct and 6 (six) indirect outside India. The Company is in the process of closing its operations in China operated through Capillary Technologies (Shanghai) Co., Ltd (Indirect Subsidiary) and Persuade Holdings Inc, which was a shell company not having any operation has been dissolved w.e.f 6th February, 2023.

There are no associates or joint venture companies within the meaning of Section 2(6) of the Companies Act, 2013 (“ Act”).

Pursuant to the provisions of Section 129(3) of the Act, a statement containing the salient features of financial statements of the Company’s subsidiaries in Form No. AOC-1 as provided in **Annexure II** is attached to this report.

Further, pursuant to the provisions of Section 136 of the Act, the financial statements of the Company, and consolidated financial statements, are available on the Company’s website at <https://www.capillarytech.com/investors/financial-information>. A copy of separate audited financial statements of our subsidiaries shall be provided to any member of the company who asks for it. All the documents stated under sub-section (1) of section 136 is available for inspection at the Registered Office of the Company during working hours. Further, members by writing to the Company Secretary at the Registered Office of the Company or at secretarial@capillarytech.com may obtain a copy of the same.

8. Details of deposits

During the year, your Company has neither accepted nor renewed any deposits from public within the meaning of Section 73 of the Companies Act, 2013 read with Companies (Acceptance of Deposits) Rules, 2014.

9. Particulars of loans, guarantees and investments

Pursuant to Section 186 of the Companies Act, 2013 disclosure on particulars relating to Loans, Advances, Guarantees and Investments (wherever applicable) are provided as part of the financial statements under note 05.

10. Particulars of contracts or arrangements with related parties

All Related party transactions that were entered into during the financial year under review, were on an arm’s length basis, and in the ordinary course of business and are in compliance with the applicable provisions of the Act.

There were no materially significant Related Party Transactions made by the Company during the year that required shareholders’ approval under Companies Act 2013. All Related Party Transactions are placed before the Audit Committee post its

constitution for prior approval. Further, prior omnibus approval of the Audit Committee is obtained for the transactions which are repetitive in nature or when the need for these transactions cannot be foreseen in advance.

Accordingly, the disclosure of the particulars of the related party transactions in form AOC -2 as required under Section 134(3) (h) of the Act is not applicable.

The details of related party transaction as per accounting standards is provided in Note 32 of Notes to Financial Statements (Standalone) and Note 32 of Notes to Financial Statements (Consolidated).

11. Corporate Social Responsibility (CSR)

As per the provisions of the Companies Act, 2013, a Company meeting the specified criteria shall spend at least 2% of its average net profits for three immediately preceding financial years towards CSR activities. Accordingly, your Company spent INR. 225,000/- (Two Lakh Twenty Five Thousand Only) towards CSR activities during the financial year 2022-23 through a registered CSR foundation.

Your Company seeks to integrate its business values with its operations so it may undertake its business activities in an ethical and transparent manner. Further, it seeks to improve its fulfilment of social responsibilities and enhance the economic practices in an attempt to create a positive impact on the society. It partake in a variety of drives and events related to the economic, social and environmental welfare of our surroundings. It is committed towards its obligations to society and have a defined corporate social responsibility policy that is aimed at improving the lives of the communities in which it operate in a sustainable way.

The CSR project undertaken by your Company during the financial year 2022-23 comprised of community-based organizations that were directly helping the community to access services and benefits that were provided by the Government.

Highlights of the Project achievements

- The project has been implemented in 4 rural schools Bangalore rural districts of Karnataka:

- A Total of 893 (448- Boys, 425- Girls) students collectively from 4 schools have benefited from this program.
- The program aims to provide access to Quality Education in rural areas thereby reducing the infrastructure gap between rural and urban schools.

- The program comprehensively includes, digital content in line with the syllabus and local language, teacher training, stable infrastructure and solar power to overcome power shortages.
- Digital Education offers multimedia-rich content, interactive videos, animations which has made classroom learning more engaging and interactive
- The digital content acts supplementary tool for the teachers in their classroom sessions and they are of the opinion that this has improved retention among the students
- With solar energy as the core of the project, the students in the schools have been exposed to the practical application and impact of renewable energy and its impact on the environment.

The contents of the CSR policy and CSR Report is attached as **Annexure III** to this report. CSR policy is available on the Company's website at <https://www.capillarytech.com/investors/policies-and-codes>.

The terms of reference of CSR committee, framed in accordance with Section 135 of the Companies Act, 2013, is available on the Company's website. The Committee consists of two Independent Directors and One Executive Director.

Sr. no	Name of Director	Category
01.	Mrs. Yamini Preethi Natti	Chairperson and ID
02.	Mr. Anant Choubey	Member, Executive Director, CFO & COO
03.	Mr. Venkat Ramana Tadanki	Member and ID

12. Conservation of energy, technology absorption, foreign exchange earnings and outgo.

Company is part of Saas ('software as a service') industry and does not operate any machineries, production facilities etc. As a part of corporate citizen, our Company's commitment is to improve community well-being through voluntary business practices and contribution of corporate resources leading to sustainable growth. Also, our CSR policy is well aligned to our business goals and meets or exceeds, the ethical, legal, commercial and public expectations that society has of business. Some of the steps and practices followed by the Company:

(a) Conservation of energy -

(i) the steps taken or impact on conservation of energy;	<ul style="list-style-type: none"> ▪ Usage of Laptops instead of desktops. ▪ Turning off lights, monitors when not in use. ▪ Turning of AC's when not in use. ▪ Usage of LED lights for all lighting solutions etc.
(ii) the steps taken by the Company for utilising alternate sources of energy;	As the Company does not operate any machineries, production facilities etc. the consumption of energy is very low to minimal. Hence the requirement of having alternate sources of energy is not needed.
(iii) the capital investment on energy conservation equipments.	Due to the reasons as stated above in (ii) the Company has not made any capital investment on energy conservation equipments.

(b) Technology absorption -

(i) the efforts made towards technology absorption;	<i>There was no external technology absorbed into the product during this time period. The internally developed software and tools have helped us improve the user efficiency, and user experience and also provide various improved features and functionalities in the enterprise loyalty and engagement activities for businesses and their users.</i>
(ii) the benefits derived like product improvement, cost reduction, product development or import substitution;	<ul style="list-style-type: none"> • Continuous improvement of the product user experience. This is measured through increased product satisfaction score which is a strong indicator of customer retention. • Improved campaign and loyalty program ROI for the business users.

	<ul style="list-style-type: none"> • Reduced cost of technology import by developing these tools/software internally on a timely manner.
(iii) in case of imported technology (imported during the last three years reckoned from the beginning of the year under reference) – a) details of the technology imported; b) the year of import; c) whether the technology has been fully absorbed and if not, areas where absorption has not taken place, and the reasons thereof;	Your Company has not imported any technology during the last three years.
(iv) the expenditure incurred on Research and Development.	Nil

(c) Foreign exchange earnings and Outgo –

(Inr Millions)

Particulars	FY 2021-22	FY 2022-23
Inflow	959.44	632.5
Outflow	144.7	159.93

13. Risk Management

Your Company has a well-defined risk management framework in place. The Board of Directors (“Board”) of the Company oversee the development of Risk Management Policy and the establishment, implementation and monitoring of the Company’s risk management system, in accordance with the policy. The Risk Management Committee reviews, assess and formulate the risk management system and policy of our Company from time to time and recommend for amendment or modification thereof, which shall include among others:

- A framework for identification of internal and external risks specifically faced by our Company, in particular including financial, operational, sectoral, sustainability (particularly, environment, social and governance related risks), information, cyber security risks or any other risk as may be determined by the committee;
- Measures for risk mitigation including systems and processes for internal control of identified risks; and
- Business continuity plan;

The details of the Risk Management Committee are available on Company's website. The Risk Management Policy adopted by the Company is available at <https://www.capillarytech.com/investors/policies-and-codes>.

14. Vigil mechanism

The Company has adopted a Vigil Mechanism Policy to provide a channel to the Directors and employees to report genuine concerns about unethical behavior, actual or suspected fraud or violation of the standards, codes of conduct or policies adopted by the Company from time to time. The Company is committed to adhering to the highest standards of ethical, moral and legal conduct of business operations and in order to maintain these standards, the Company encourages its employees who have genuine concerns about suspected misconduct to come forward and express their concerns without fear of punishment or unfair treatment. The mechanism provides for adequate safeguards against victimization of Directors and employees to avail of the mechanism and also provide for direct access to the Vigilance Officer. The Whistle Blower Policy adopted by the Company is available on Website of the Company at <https://www.capillarytech.com/investors/policies-and-codes>.

15. Material orders of judicial bodies/regulators

There are no significant material orders passed by the Regulators, Courts or Tribunals impacting the going concern status of the Company and its operations in future.

16. Auditors

M/s. Walker Chandiok & Co LLP, Chartered Accountants (Firm Registration no. 001076N/N500013), were appointed as the Statutory Auditors of the Company at the AGM held on September 29, 2022 for a term of five consecutive years from the conclusion of 10th Annual General Meeting ("AGM") till the conclusion of 15th AGM of the Company in accordance with the provisions of Section 139 of the Act.

The Report given by the Statutory Auditors on the standalone financial statements of the Company and the consolidated financial statements of the Company for the financial year ended March 31, 2023 forms part of this Annual Report.

17. Secretarial Audit

M/s. BMP & Co, LLP, firm of practicing Company Secretaries ("Secretarial Auditors"), carried out the secretarial audit for FY 2023 in compliance with the Act

and the Rules made thereunder, and other applicable regulations as amended and other laws specifically applicable to your Company. The Secretarial Audit Report in form MR-3 for FY 2023 is attached to this Report as **Annexure – IV**. The said Report does not contain any qualification, reservation or adverse remark or disclaimer by the Secretarial Auditors.

18. Cost & Internal Audit

a. The provisions of appointment of Cost Auditor pursuant to section 146 read with Companies (Cost Records and Audit) Rules, 2014 are not applicable to your Company during the financial year 2022-23.

Maintenance of cost records as specified by the Central Government under sub-section (1) of section 148 of the Companies Act, 2013, is not required by the Company and accordingly such accounts and records are neither made and nor maintained.

b. The provisions of appointment of Internal Auditor pursuant to section 138 read with Companies (Accounts) Rules, 2014 of the Companies act 2013 is not applicable to your Company during the financial year 2022-23, however the Company has appointed Internal auditor for the Financial year 2023-24.

19. Explanations in response to auditors' qualifications

The Reports given by the Statutory Auditors on the standalone financial statements and the consolidated financial statements of the Company for FY 2023 form part of the Annual Report. The Reports do not contain any qualification, reservation or adverse remark or disclaimer by the Statutory Auditors, however auditors have made certain observations in the annexure of the audit report which are factual statement and self-explanatory

20. Compliance with secretarial standards

During the year under review, the Company has complied with all the applicable Secretarial Standards issued by Institute of Company Secretaries of India ('ICSI'). The Company has also voluntarily adopted & complied with SS-4 (Report on Board of Directors).

21. Corporate insolvency resolution process initiated under the insolvency and bankruptcy code, 2016 (IBC)

There are no proceedings initiated/pending against your Company under the Insolvency and Bankruptcy Code, 2016 which materially impact the business of the Company.

22. Failure to implement any corporate action

During the year under review, there was no instances where Company has failed to complete or implement any corporate action within the specified time limit.

23. Annual Return

Pursuant to the provisions of Section 134 (3) (a) of the Companies Act, 2013 read with the rules made thereunder, the Annual Return (Form MGT-7) of the Company has been disclosed on the website of the Company and Web Link thereto is: <https://www.capillarytech.com/investors/annual-return>.

24. Other disclosures

(a) The consolidated financial statement is also being presented in addition to the standalone financial statement of the Company.

(b) The Company has not opted for any one time settlement from the Banks or Financial Institutions.

25. Disclosures pertaining to the sexual harassment of women at the workplace (prevention, prohibition and redressal) act, 2013

The Company has zero tolerance for sexual harassment at workplace and has adopted a Policy on Prevention, Prohibition and Redressal of Sexual Harassment at workplace in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 (POSH) and the rules made thereunder. The Policy aims to provide protection to employees at workplace and prevent and redress complaints of sexual harassment and for matters connected or incidental thereto, with the objective of providing a safe working environment, where employees feel secure. The Company has not received any complaints pertaining to sexual harassment during the financial year. Also, that no cases were filed, disposed of and pending as on date of this report.

The Company has complied with provisions relating to the constitution of Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

26. Green Initiatives

In commitment to keep in line with the Green Initiatives and going beyond it, electronic copy of the Notice of 11th Annual General Meeting of the Company including the Annual Report for FY 2022-23 are being sent to all Members whose e-mail addresses are registered with the Company / Depository Participant(s).

27. Acknowledgements and Appreciation

Your Directors take this opportunity to thank the customers, shareholders, suppliers, bankers, business partners/associates, financial institutions and Central and State Governments for their consistent support and encouragement to the Company.

Your directors sincerely appreciate all employees of the Company and its Holding and subsidiaries for their hard work and commitment.

**On behalf of the Board of Directors
For Capillary Technologies India Limited**

Sd/-

Aneesh Reddy Boddu
Managing Director and Vice Chairman
(DIN: 02214511)
Date: 06/09/2023
Place: Bangalore

Sd/-

Anant Choubey
Executive Director, CFO & COO
(DIN: 06536413)
06/09/2023
Place: Bangalore

Annexure-I

Key policies that have been adopted are as follows:

Name of the policy	Brief description	Web link
Code of conduct of Board of Directors and Senior Management Personnel	The Company has adopted the Code of conduct of Board of Directors and Senior Management Personnel in accordance with the provisions of applicable laws. The policy was adopted effective from November 20, 2021.	https://www.capillarytech.com/policies /
Policy on Materiality of and dealing with Related Party Transactions	The Company has adopted the Policy on Materiality of and dealing with Related Party Transactions in accordance with the provisions of applicable laws. The policy was adopted effective from November 20, 2021. <i>The Board of Directors vide it's resolution dated March 21, 2023 approved to place this policy on hold on its applicability (this policy is not applicable to the extent of SEBI LODR regulations requirement) to the Company till the time Board seeks fresh approval for IPO from members of the Company.</i>	https://www.capillarytech.com/policies /
Policy for determining material Subsidiaries	The Company has adopted the Policy for determining material Subsidiaries in accordance with the provisions of applicable laws. The policy was adopted effective from November 20, 2021. <i>The Board of Directors vide it's resolution dated March</i>	https://www.capillarytech.com/policies /

	<i>21, 2023 approved to place this policy on hold on its applicability to the Company till the time Board seeks fresh approval for IPO from members of the Company.</i>	
Dividend Distribution Policy	The Company has adopted the Dividend Distribution Policy to determine the distribution of dividends in accordance with the provisions of applicable laws. The policy was adopted effective from November 26, 2021.	https://www.capillarytech.com/policies/
Fraud Prevention Policy	The Company has adopted the Fraud Prevention Policy in accordance with the provisions of applicable laws. The policy was adopted effective from March 30, 2022.	https://www.capillarytech.com/policies/
Vigil Mechanism Policy	The Company has adopted the Vigil Mechanism Policy to report concerns about unethical behaviour, actual or suspected fraud, or violation of the Company's code of conduct etc in accordance with the provisions of applicable laws. The policy was adopted effective from November 20, 2021.	https://www.capillarytech.com/policies/
Corporate Social Responsibility Policy	The Company has adopted the Corporate Social Responsibility Policy in accordance with the provisions of applicable laws. The policy was adopted effective from November 20, 2021.	https://www.capillarytech.com/policies/
Insider Trading Prohibition Code	The Company has adopted the code of conduct to regulate, monitor and report trading in securities of the company & Fair disclosure code in	https://www.capillarytech.com/policies/

	<p>accordance with the provisions of applicable laws. The policy was adopted effective from November 20, 2021. <i>The Board of Directors vide it's resolution dated March 21, 2023 approved to place this policy on hold on its applicability to the Company till the time Board seeks fresh approval for IPO from members of the Company.</i></p>	
Nomination and Remuneration Policy	<p>The Company has adopted the Nomination and Remuneration Policy in accordance with the provisions of applicable laws. The policy was adopted effective from November 20, 2021.</p>	<p>https://www.capillarytech.com/policies/</p>
Policy on Diversity of Board of Directors	<p>The Company has adopted the Policy on Diversity of Board of Directors in accordance with the provisions of applicable laws. The policy was adopted effective from November 20, 2021.</p>	<p>https://www.capillarytech.com/policies/</p>
Risk Management Policy	<p>The Company has adopted the Risk Management Policy in accordance with the provisions of applicable laws. The policy was adopted effective from November 20, 2021</p>	<p>https://www.capillarytech.com/policies/</p>
Policy on Familiarisation Programmes for Independent Directors	<p>The Company has adopted the Policy on Familiarisation Programmes for Independent Directors in accordance with the provisions of applicable laws. The policy was adopted effective from September 02, 2022.</p>	<p>https://www.capillarytech.com/policies/</p>

Policy for Performance Evaluation of Board	The Company has adopted the Policy for Performance Evaluation of Board in accordance with the provisions of applicable laws. The policy was adopted effective from September 02, 2022	https://www.capillarytech.com/policies /
Policy of POSH at Workplace	The Company has adopted the Policy of POSH at Workplace in accordance with the provisions of applicable laws.	https://www.capillarytech.com/policies /
Succession Policy for Board and Senior Management.	The Company has adopted the Succession Policy for Board and Senior Management in accordance with the provisions of applicable laws. The policy was adopted effective from September 02, 2022	https://www.capillarytech.com/policies /
Policy on Preservation of Documents and Archival Policy	<p>The Company has adopted the Policy on Preservation of Documents and Archival Policy in accordance with the provisions of applicable laws. The policy was adopted effective from February 02, 2023.</p> <p><i>The Board of Directors vide it's resolution dated March 21, 2023 approved to place this policy on hold on its applicability to the Company till the time Board seeks fresh approval for IPO from members of the Company.</i></p>	https://www.capillarytech.com/policies
Policy for Determining & Reporting of Material Event	The Company has adopted the Policy for Determining & Reporting of Material Event in accordance with the provisions of applicable laws. The policy was adopted effective from February 02, 2023.	https://www.capillarytech.com/policies

	<i>The Board of Directors vide it's resolution dated March 21, 2023 approved to place this policy on hold on its applicability to the Company till the time Board seeks fresh approval for IPO from members of the Company.</i>	
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**On behalf of the Board of Directors
For Capillary Technologies India Limited**

Sd/-

Aneesh Reddy Boddu
Managing Director and Vice Chairman
(DIN: 02214511)
Date: 06/09/2023
Place: Bangalore

Sd/-

Anant Choubey
Executive Director, CFO & COO
(DIN: 06536413)
Date: 06/09/2023
Place: Bangalore

Annexure-II

Form AOC-1

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014) Statement containing salient features of the financial statement of subsidiaries or associate companies or Joint ventures

Part A Subsidiaries (Information in respect of each subsidiary to be presented with amounts in Rs.)

Sr. No	Name of the subsidiary	The date since when subsidiary was acquired	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	Share Capital (in million s)	Reserves and surplus (in millions)	Total assets (in millions)	Total Liabilities (in millions)	Investments (in million)	Profit before taxation (in million)	Provision of taxation (in million)	Profit after taxation (in million)	Proposed Dividend (in million)	Extent of shareholding (in percent age)
01.	Capillary Pte. Ltd. ("CPL")	Aug 30, 2021	NA	SGD 61.76	1266.27	774.65	3736.71	3736.71	1805.76	(391.80)	(4.94)	(386.86)	Nil	100
02.	Capillary Technologies LLC (Formerly known as Persuade Loyalty LLC)	Sep 1, 2021	NA	USD 82.11	68.20	675.62	927.31	927.31	Nil	(53.29)	Nil	(53.29)	Nil	100

03.	Capillary Technologies (Shanghai) Co Ltd	Nov 22, 2021	NA	CNY 11.95	510.35	(500.56)	26.98	26.98	Nil	(0.15)	Nil	(0.15)	Nil	100
04.	Capillary Technologies DMCC ("Capillary Dubai")	Nov 22, 2021	NA	AED 21.87	1.01	(154.72)	123.44	123.44	Nil	506.70	Nil	506.70	Nil	100
05.	Capillary Technologies (Malaysia) SDN BHD	Nov 22, 2021	NA	MYR 18.57	8.68	(95.26)	13.12	13.12	Nil	(4.33)	Nil	(4.33)	Nil	100
06.	PT Capillary Technologies Indonesia ("Capillary Indonesia")	Nov 22, 2021	NA	IDR 0.0055	1.59	(51.87)	43.99	43.99	Nil	2.12	0.93	1.19	Nil	100

**On behalf of the Board of Directors
For Capillary Technologies India Limited**
Sd/-

Sd/-

Aneesh Reddy Boddu
Managing Director and Vice Chairman

Anant Choubey
Executive Director, CFO & COO

www.capillarytech.com

(DIN: 02214511)
Date: 06/09/2023
Place: Bangalore

(DIN: 06536413)
Date: 06/09/2023
Place: Bangalore

Annexure III

Annual report on CSR activities

[Pursuant to Section 135 of the Companies Act, 2013 read with Companies (Corporate Social Responsibility Policy) Rules, 2014, as amended.]

1. Brief outline on CSR Policy of the Company.

As a responsible corporate citizen, your Company's commitment to Corporate Social Responsibility (CSR) is integrated with the business and is synonymous with your Company's values.

CSR Vision:

The Company is committed to improving the lives of the communities in which it operates in a sustainable way. It aspires to be a responsible corporate citizen, by contributing to the nation building through its CSR Projects / Programs, in true letter and spirit. The CSR Vision of the Company is to build relationships of trust with local communities, societies and stakeholders as good corporate.

Focus Areas:

The Company shall undertake CSR Projects / Programs that are aligned with areas listed in Schedule VII of the Act, within the geographical limits specified under the Act, for the benefit of marginalized, disadvantaged and underserved sections of the community and the environment.

2. Composition of CSR Committee:

The composition of the CSR Committee is in compliance with Section 135 of the Act. The Company Secretary acts as the Secretary of the Committee. The composition of the CSR Committee together with attendance of the members at the Committee meetings held during the year, are as under:

Sr. No	Name of Director	Designation / Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year
01.	Mrs. Yamini Preethi Natti	Chairperson and Independent Director	01	01
02.	Mr. Anant Choubey	Member- Executive Director, CFO & COO	01	01
03.	Mr. Venkat Ramana Tadanki	Member- Independent Director	01	01

3. Provide the web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the board are disclosed on the website of the company.

The composition of the CSR committee is available on our website, at <https://www.capillarytech.com/about-us/leadership>.

The CSR Policy of the Company is available on our website, at <https://www.capillarytech.com/investors/policies-and-codes>.

CSR projects - <https://www.capillarytech.com/investors/corporate-governance>

4. Provide the details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, if applicable (attach the report).

As per Rule 8(3)(a) of the Companies (Corporate Social Responsibility Policy) Amendment Rules 2021, the company does not have an average CSR obligation of INR. 10 Crore or more in the three immediately preceding financial years, therefore the company is not required to undertake an impact assessment through an independent agency.

However, our internal department shall remain in constant touch with the beneficiaries of the CSR spending and an impact study shall be prepared by the Management Team, which shall be placed for consideration of the committee members upon the close of the Financial Year.

5. Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any.

Sr. No	Financial Year	Amount available for set-off from preceding financial years (in Rs)	Amount required to be setoff for the financial year, if any (in Rs)
01.	Nil	Nil	Nil

6. Average net profit of the company as per section 135(5)- INR. 96,72,506/- /-

7. (a) Two percent of average net profit of the company as per section 135(5)- INR. 1,93,450/-

(b) Surplus arising out of the CSR projects or programmes or activities of the previous financial years- Nil

(c) Amount required to be set off for the financial year, if any- Nil

(d) Total CSR obligation for the financial year (7a+7b+7c)- INR.1,93,450/-

8. (a) CSR amount spent or unspent for the financial year:

Total Amount Spent for the Financial Year. (in Rs.)	Amount Unspent (in Rs.)				
	Total Amount transferred to Unspent CSR Account as per section 135(6).		Amount transferred to any fund specified under Schedule VII as per second proviso to Section 135(5) of the Act		
	Amount.	Date of transfer.	Name of the Fund	Amount	Date of transfer.
1,93,450	Nil	-	-	Nil	-

(b) Details of CSR amount spent against ongoing projects for the financial year- Nil

(c) Details of CSR amount spent against other than ongoing projects for the financial year:

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
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Sr. no	Name of the project	Item from the list of activities in schedule VII to the Act.	Local area (Yes/No).	Location of the project.		Amount spent for the project (in Rs.).	Mode of implementation - Direct (Yes/No).	Mode of implementation - Through implementing agency.	
				State	District			Name	CSR Registration number.
01.	GHS Karahalli	(ii)	Yes	Karnataka	Bangalore	85,000/-	No	SELCO Foundation	CSR00002487
02.	GHS Kadusonnappanahalli	(ii)	Yes	Karnataka	Bangalore	42,500/-	No	SELCO Foundation	CSR00002487
03.	GHPs Kadusonnappanahalli	(ii)	Yes	Karnataka	Bangalore	42,500/-	No	SELCO Foundation	CSR00002487
04.	Shri Siddhartha Sanivasa High School Kottanur	(ii)	Yes	Karnataka	Bangalore	42,500/-	No	SELCO Foundation	CSR00002487
Total						2,12,500/-			

(d) Amount spent in Administrative Overheads- 12,500/-

(e) Amount spent on Impact Assessment- Not applicable

(f) Total amount spent for the Financial Year (8b+8c+8d+8e)

(g) Excess amount for set off, if any

Sr. no	Particular	Amount (in Rs.)
(i)	Two percent of average net profit of the company as per section 135(5)	1,93,450/-
(ii)	Total amount spent for the Financial Year	2,25,000/-

(iii)	Excess amount spent for the financial year [(ii)-(i)]	31,550/-
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	Nil
(v)	Amount available for set off in succeeding financial years [(iii)-(iv)]	31,550/-

9. (a) Details of Unspent CSR amount for the preceding three financial years-

Sr. no	Preceding Financial Year.	Amount transferred to Unspent CSR Account under section 135 (6) (in Rs.)	Amount spent in the reporting Financial Year (in Rs.).	Amount transferred to any fund specified under Schedule VII as per section 135(6), if any.			Amount remaining to be spent in succeeding financial years. (in Rs.)
				Name of the Fund	Amount (in Rs).	Date of transfer.	
01	-	Nil	-	-	Nil	-	-

(b) Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s)-

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
-----	-----	-----	-----	-----	-----	-----	-----	-----

Sr. no	Project ID.	Name of the Project.	Financial Year in which the project was commenced.	Project duration.	Total amount allocated for the project (in Rs.).	Amount spent on the project in the reporting Financial Year (in Rs.).	Cumulative amount spent at the end of reporting Financial Year. (in Rs.)	Status of the project - Completed /Ongoing.
01	-	Nil	-	-	Nil	-	-	

10. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year (asset-wise details).

- (a) Date of creation or acquisition of the capital asset(s)- None
- (b) Amount of CSR spent for creation or acquisition of capital asset- Nil
- (c) Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc.-
Not applicable
- (d) Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset)- Not applicable

11. Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per section 135(5)- Not applicable

**On behalf of the Board of Directors
For Capillary Technologies India Limited**

www.capillarytech.com

Sd/-

Aneesh Reddy Boddu
Managing Director and Vice Chairman
(DIN: 02214511)
Date: 06/09/2023
Place: Bangalore

Sd/-

Yamini Preethi Natti
Chairperson of CSR Committee &
Independent Director (DIN: 06533367)
Date: 06/09/2023
Place: Bangalore

Annexure IV

**FORM No. MR-3
SECRETARIAL AUDIT REPORT**

FOR THE FINANCIAL YEAR ENDED 31st MARCH 2023

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

To,
The Members,
Capillary Technologies India Limited

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Capillary Technologies India Limited (hereinafter called the "Company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2023, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place; to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed, and other records maintained by the Company for the financial year ended on 31st March 2023 according to the provisions of:

- i. The Companies Act, 2013 ('the Act') and the Rules made thereunder;
- ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made thereunder to the extent of its applicability to an unlisted Company;
- iii. The Depositories Act, 1996 and the Regulations and Byelaws framed thereunder;
- iv. Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

- v. The Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'): - Not applicable as Company is a Public (Unlisted) Company.

We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India (ICSI)
- (ii) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015; - Not Applicable as Company is a Public (Unlisted) Company.

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

We further report that: -

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

Adequate notice is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and necessary consent of Board Members have been sought when the meetings have been called at a shorter notice and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

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

We further report that based on review of compliance mechanism established by the Company, we are of the opinion that the management has adequate systems and processes commensurate with its size and operations, to monitor and ensure compliance with all applicable laws, rules, regulations, and guidelines;

As informed, the Company has responded to notices for demands, claims, penalties etc. levied by various statutory / regulatory authorities and initiated actions for corrective measures, wherever necessary.

There are no other specific events/actions in pursuance of the above referred laws,

rules, regulations guidelines etc., having a major bearing on the Company's Affairs.

We further report that during the audit period,

- the Board of Directors at their meeting held on March 21, 2023, has decided to withdraw the Draft Red Herring Prospectus ('DRHP') considering the volatility of market conditions and certain strategic considerations. Accordingly the Company vide its letter dated April 05, 2023 submitted withdrawal application to SEBI, Bombay Stock Exchange ('BSE'), National Stock Exchange ('NSE') and other intermediaries.
- The Company has allotted 2,14,656(Two Lakhs Fourteen Thousand Six Hundred and Fifty-Six) Equity shares of face value of INR.2/- as Bonus shares to the existing shareholders (except promoter shareholder) of the Company dated March 29, 2023.
- The Company has allotted 26,64,285(Twenty-Six Lakhs sixty-four thousand two hundred and Eighty five) Equity Shares of face value of INR.2/- each on preferential offer through private placement basis dated March 29, 2023.
- The Company has allotted 3,500 unlisted unrated secured fully paid-up redeemable non-convertible debentures ("NCDs") of face value of INR. 100,000/- each through private placement basis dated March 29, 2023.

For BMP & Co. LLP
LLPIN: AAI-4194
Company Secretaries

Sd/-

Biswajit Ghosh
Designated Partner

FCS No: 8750

CP. No.: 8239

PR No: L2017KR003200

Place: Bangalore

Date: September 06, 2023

UDIN: F008750E000955740

Enclosure: Annexure A is accompanied with this certificate.

'Annexure A'

To,
The Members,
Capillary Technologies India Limited

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

1. Maintenance of Secretarial record is the responsibility of the management of the Company. Our responsibility is to express as opinion on these secretarial records based on our audit.
2. The Audit was conducted in accordance with the applicable standards.
3. We have followed the audit practices and process as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
4. We have not verified the correctness and appropriateness of financial records and books of accounts of the Company.
5. Wherever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
6. The compliance of the provisions of Corporate and other applicable laws, Rules, Regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
7. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.
8. We further report that, based on the information provided by the Company, its officers, authorised representatives during the conduct of the audit and on the review of quarterly compliance report by the respective departmental heads/Company Secretary/Director of the Company, in our opinion adequate systems, process and control mechanism exist in the Company to monitor compliance with applicable general laws like labour laws & Environment laws and Data protection policy.
9. We further report that the Compliance by the Company of applicable financial laws like Direct & Indirect tax laws has not been reviewed in this audit since the same has been subject to review by the statutory financial audit and other designated professionals.

For BMP & Co. LLP
LLPIN: AAI-4194
Company Secretaries

Sd/-

Biswajit Ghosh

Designated Partner

FCS No: 8750

CP. No.: 8239

PR No: L2017KR003200

Place: Bangalore

Date: September 06, 2023

UDIN: F008750E000955740

Walker Chandiook & Co LLP
5th Floor, No.65/2, Block "A",
Bagmane Tridib, Bagmane
Tech Park, C V Raman Nagar, Bengaluru
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T +91 80 4243 0700
F +91 80 4126 1228

Independent Auditor's Report

To the Members of Capillary Technologies India Limited
(formerly known as Capillary Technologies India Private Limited)

Report on the Audit of the Standalone Financial Statements

Opinion

1. We have audited the accompanying standalone financial statements of Capillary Technologies India Limited (formerly known as Capillary Technologies India Private Limited) ('the Company'), which comprise the Standalone Balance Sheet as at March 31, 2023, the Standalone Statement of Profit and Loss (including Other Comprehensive Income), the Standalone Statement of Cash Flow, the Standalone Statement of Changes in Equity for the year then ended and notes to the standalone financial statements, including a summary of the significant accounting policies and other explanatory information.
2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ('the Act') in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards ('Ind AS') specified under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015 and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2023, its loss (including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing 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 Standalone 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 ('ICAI') 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 opinion.

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Information other than the Financial Statements and Auditor's Report thereon

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

Our opinion on the standalone 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 standalone financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Standalone Financial Statements

5. The accompanying standalone financial statements have been approved by the Company's Board of Directors. The Company's Board of Directors are responsible for the matters stated in Section 134(5) of the Act with respect to the preparation and presentation of these standalone financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, changes in equity and cash flows of the Company in accordance with the Ind AS specified under Section 133 of the Act and other accounting principles generally accepted in India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.
6. In preparing the standalone financial statements, the Board of Directors are 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 the Board of Directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
7. Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Standalone Financial Statements

8. Our objectives are to obtain reasonable assurance about whether the standalone 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 Standards on Auditing 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 standalone financial statements.

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9. As part of an audit in accordance with Standards on Auditing, specified under Section 143(10) of the Act we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
- Identify and assess the risks of material misstatement of the standalone 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 standalone 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 Board of Directors' 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;
10. 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.

Other Matter

11. The standalone financial statements of the Company for the year ended March 31, 2022 were audited by the predecessor auditor, S.R. Batliboi & Associates LLP, who had expressed a qualified opinion on those standalone financial statements vide their audit report dated September 13, 2022.

Report on Other Legal and Regulatory Requirements

12. As required by Section 197(16) of the Act based on our audit, we report that the Company has paid remuneration to its directors during the year in accordance with the provisions of and limits laid down under Section 197 read with Schedule V to the Act.
13. As required by the Companies (Auditor's Report) Order, 2020 ('the Order') issued by the Central Government of India in terms of Section 143(11) of the Act we give in the Annexure I, a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
14. Further to our comments in Annexure I, as required by Section 143(3) of the Act based on our audit, we report, to the extent applicable, that:
- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the accompanying standalone financial statements;

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- 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, except that the back-up of the books of accounts and other books and papers maintained in electronic mode has not been maintained on servers physically located in India, on a daily basis;
- c) The standalone financial statements dealt with by this report are in agreement with the books of account;
- d) in our opinion, the aforesaid standalone financial statements comply with Ind AS specified under Section 133 of the Act;
- e) On the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2023 from being appointed as a director in terms of Section 164(2) of the Act;
- f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company as on March 31, 2023 and the operating effectiveness of such controls, refer to our separate report in Annexure II, wherein we have expressed an unmodified opinion; and
- g) 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 litigation which would impact its financial position as at March 31, 2023;
 - ii. the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses as at March 31, 2023;
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended March 31, 2023;
 - iv.
 - a. The management has represented that, to the best of its knowledge and belief, other than as disclosed in note 40 to the standalone financial statements, no funds have been advanced or loaned or invested (either from borrowed funds or securities premium or any other sources or kind of funds) by the Company to or in any persons or entities, including foreign entities ('the intermediaries'), with the understanding, whether recorded in writing or otherwise, that the intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company ('the Ultimate Beneficiaries') or provide any guarantee, security or the like on behalf the Ultimate Beneficiaries;
 - b. The management has represented that, to the best of its knowledge and belief, other than as disclosed in note 40 to the standalone financial statements, no funds have been received by the Company from any persons or entities, including foreign entities ('the Funding Parties'), with the understanding, whether recorded in writing or otherwise, that the Company shall, whether directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ('Ultimate Beneficiaries') or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and
 - c. Based on such audit procedures performed as considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the management representations under sub-clauses (a) and (b) above contain any material misstatement.

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- v. The Company has not declared or paid any dividend during the year ended March 31, 2023.
- vi. Proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 requires all companies which use accounting software for maintaining their books of account, to use such an accounting software which has a feature of audit trail, with effect from the financial year beginning on April 1, 2023 and accordingly, reporting under Rule 11(g) of Companies (Audit and Auditors) Rules, 2014 (as amended) is not applicable for the current financial year.

For Walker Chandiook & Co LLP
Chartered Accountants
Firm's Registration No.: 001076N/N500013

Aasheesh Arjun Singh
Partner
Membership No.: 210122
UDIN: 23210122BGXASZ1488

Bengaluru
September 06, 2023

Walker Chandniok & Co LLP

Annexure I referred to in Paragraph 13 of the Independent Auditor's Report of even date to the members of Capillary Technologies India Limited (formerly known as Capillary Technologies India Private Limited) on the standalone financial statements for the year ended March 31, 2023

In terms of the information and explanations sought by us and given by the Company and the books of account and records examined by us in the normal course of audit, and to the best of our knowledge and belief, we report that:

- (i) (a) (A) The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment and right of use assets.

(B) The Company has maintained proper records showing full particulars of intangible assets.
- (b) The Company has a regular programme of physical verification of its property, plant and equipment and right of use assets under which the assets are physically verified in a phased manner over a period of two years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this programme, certain property, plant and equipment were verified during the year and no material discrepancies were noticed on such verification.
- (c) The Company does not own any immovable property (other than properties where the Company is the lessee and the lease agreements are duly executed in favour of the lessee). Accordingly, reporting under clause 3(i)(c) of the Order is not applicable to the Company.
- (d) The Company has not revalued its property, plant and equipment including right of use assets and intangible assets during the year.
- (e) No proceedings have been initiated or are pending against the Company for holding any benami property under the Prohibition of Benami Property Transactions Act, 1988 (as amended) and rules made thereunder.
- (ii) (a) The Company does not hold any inventory. Accordingly, reporting under clause 3(ii)(a) of the Order is not applicable to the Company.
- (b) As disclosed in note 13 to the standalone financial statements, the Company has been sanctioned a working capital limit in excess of ₹ five crore, by banks on the basis of security of current assets. The monthly statement in respect of the working capital limits have been filled by the Company with such bank and such statements are agreement with the books of accounts of the Company for the respective periods, which were not subject to audit.
- (iii) (a) The Company has not provided any loans or provided any advances in the nature of loans, or guarantee, or security to any other entity during the year. Accordingly, reporting under clauses 3(iii)(a) of the Order is not applicable to the Company.
- (b) The Company has not provided any guarantee or given any security or granted any loans or advances in the nature of loans during the year. However, the Company has made investment in five entities amounting to ₹ 365.77 million (year-end balance ₹1,325.50 million) and in our opinion, and according to the information and explanations given to us, such investments made are, prima facie, not prejudicial to the interest of the Company.
- (c) The Company does not have any outstanding loans and advances in the nature of loans at the beginning of the current year nor has granted any loans or advances in the nature of loans during the year. Accordingly, reporting under clauses 3(iii)(c), 3(iii)(d), 3(iii)(e) and 3(iii)(f) of the Order is not applicable to the Company.

Walker Chandniok & Co LLP

Annexure I referred to in Paragraph 13 of the Independent Auditor's Report of even date to the members of Capillary Technologies India Limited (formerly known as Capillary Technologies India Private Limited) on the standalone financial statements for the year ended March 31, 2023

- (iv) The Company has not entered into any transaction covered under Sections 185 and 186 of the Act. Accordingly, reporting under clause 3(iv) of the Order is not applicable to the Company.
- (v) In our opinion, and according to the information and explanations given to us, the Company has not accepted any deposits or there are no amounts which have been deemed to be deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, reporting under clause 3(v) of the Order is not applicable to the Company.
- (vi) The Central Government has not specified maintenance of cost records under sub-section (1) of Section 148 of the Act, in respect of Company's services. Accordingly, reporting under clause 3(vi) of the Order is not applicable.
- (vii)(a) In our opinion, and according to the information and explanations given to us, undisputed statutory dues including goods and services tax, provident fund, employees' state insurance, income-tax, sales tax, service tax, duty of customs, cess and other material statutory dues, as applicable, have generally been regularly deposited with the appropriate authorities by the Company, though there have been slight delays in a few cases. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there are no statutory dues referred in sub-clause (a) which have not been deposited with the appropriate authorities on account of any dispute except for the following:

Name of the statute	Nature of dues	Gross amount (₹ in million)	Amount paid under protest (₹ in million)	Period to which the amount relates	Forum where dispute is pending
Central Goods and Services Tax Act 2017	Goods and Services Tax	0.96	Nil	2017-18	The Assistant Commissioner of Commercial Taxes, Bengaluru

- (viii) According to the information and explanations given to us, no transactions were surrendered or disclosed as income during the year in the tax assessments under the Income-tax Act, 1961 (43 of 1961) which have not been previously recorded in the books of accounts.

Walker Chandniok & Co LLP

Annexure I referred to in Paragraph 13 of the Independent Auditor's Report of even date to the members of Capillary Technologies India Limited (formerly known as Capillary Technologies India Private Limited) on the standalone financial statements for the year ended March 31, 2023

- (ix) (a) According to the information and explanations given to us, the Company has not defaulted in repayment of loans or other borrowings to any lender or in the payment of interest thereon, except for the below.

Nature of borrowing	Name of lender	Amount not paid due on date (₹ in million)	Whether principal or interest	No. of days delay	Remarks, if any
Indian rupee term loan from Body Corporate	Innoven Capital India Private Limited	10.75	Principal and interest	7	Amount paid on March 8, 2023 and subsequently, the lender has condoned the delay in payment of principal and interest.

- (b) According to the information and explanations given to us including confirmations received from banks/ financial institution and other lenders and representation received from the management of the Company, and on the basis of our audit procedures, we report that the Company has not been declared a willful defaulter by any bank or financial institution or government or any government authority.
- (c) In our opinion and according to the information and explanations given to us, term loans were applied for the purposes for which the loans were obtained, other than ₹ 200 million which remain unutilised as on 31 March 2023 because funds were received towards the end of the year.
- (d) In our opinion and according to the information and explanations given to us, and on an overall examination of the standalone financial statements of the Company, funds raised by the Company on short term basis have not been utilised for long term purposes except for short term borrowings from body corporates amounting to ₹ 230.06 million which has been utilized for investment in subsidiaries.
- (e) According to the information and explanations given to us and on an overall examination of the standalone financial statements of the Company, the Company has not taken any funds from any entity or person on account of or to meet the obligations of its subsidiaries, except for the following:

Nature of the fund taken	Name of lender	Amount involved (₹ in million)	Name of the subsidiary	Relation	Nature of transaction for which funds were utilized
Short-term borrowing from body corporate	Gameberry Labs Private Limited	230.06	Capillary Pte. Ltd	Wholly owned subsidiary	Investment in equity shares

- (f) According to the information and explanations given to us, the Company has not raised any loans during the year on the pledge of securities held in its subsidiaries.

Walker Chandiook & Co LLP

Annexure I referred to in Paragraph 13 of the Independent Auditor's Report of even date to the members of Capillary Technologies India Limited (formerly known as Capillary Technologies India Private Limited) on the standalone financial statements for the year ended March 31, 2023

- (x) (a) The Company has not raised any money by way of initial public offer or further public offer (including debt instruments), during the year. Accordingly, reporting under clause 3(x)(a) of the Order is not applicable to the Company.
- (b) During the year, the Company has made a private placement of shares. In our opinion and according to the information and explanations given to us, the Company has complied with the requirements of Section 42 and Section 62 of the Act and the Rules framed thereunder with respect to the same. Further, the amounts so raised have been utilized by the Company for the purposes for which these funds were raised.
- (xi) (a) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company or no material fraud on the Company has been noticed or reported during the period covered by our audit.
- (b) According to the information and explanations given to us including the representation made to us by the management of the Company, no report under sub-section 12 of Section 143 of the Act has been filed by the auditors in Form ADT-4 as prescribed under Rule 13 of Companies (Audit and Auditors) Rules, 2014, with the Central Government for the period covered by our audit.
- (d) According to the information and explanations given to us including the representation made to us by the management of the Company, there are no whistle-blower complaints received by the Company during the year.
- (xii) The Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it. Accordingly, reporting under clause 3(xii) of the Order is not applicable to the Company.
- (xiii) In our opinion and according to the information and explanations given to us, all transactions entered into by the Company with the related parties are in compliance with Sections 177 and 188 of the Act, where applicable. Further, the details of such related party transactions have been disclosed in the standalone financial statements, as required under Indian Accounting Standard (Ind AS) 24, Related Party Disclosures specified in Companies (Indian Accounting Standards) Rules 2015 as prescribed under Section 133 of the Act.
- (xiv) According to the information and explanations given to us, the Company is not required to and consequently, does not have an internal audit system as per the provisions of Section 138 of the Act. Accordingly, reporting under clause 3(xiv) of the Order is not applicable to the Company.
- (xv) According to the information and explanation given to us, the Company has not entered into any non-cash transactions with its directors or persons connected with its directors and accordingly, reporting under clause 3(xv) of the Order with respect to compliance with the provisions of Section 192 of the Act are not applicable to the Company.
- (xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, reporting under clauses 3(xvi)(a), (b) and (c) of the Order is not applicable to the Company.
- (b) Based on the information and explanations given to us and as represented by the management of the Company, the Group (as defined in Core Investment Companies (Reserve Bank) Directions, 2016) does not have any CIC.
- (xvii) The Company has incurred cash losses in the current financial year and in the immediately preceding financial year amounting to ₹ 130.61 million and ₹ 185.42 million respectively.

Walker Chandiook & Co LLP

Annexure I referred to in Paragraph 13 of the Independent Auditor's Report of even date to the members of Capillary Technologies India Limited (formerly known as Capillary Technologies India Private Limited) on the standalone financial statements for the year ended March 31, 2023

- (xviii) There has been no resignation of the statutory auditors during the year. Accordingly, reporting under clause 3(xviii) of the Order is not applicable to the Company.
- (xix) According to the information and explanations given to us and on the basis of the financial ratios, ageing and expected dates of realisation of financial assets and payment of financial liabilities, other information accompanying the standalone financial statements, our knowledge of the plans of the Board of Directors and management and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report indicating that Company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the Company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the Company as and when they fall due.
- (xx) According to the information and explanations given to us, the Company does not have any unspent amounts towards Corporate Social Responsibility in respect of any ongoing or other than ongoing project as at the end of the financial year. Accordingly, reporting under clause 3(xx) of the Order is not applicable to the Company.
- (xxi) The reporting under clause 3(xxi) of the Order is not applicable in respect of audit of standalone financial statements of the Company. Accordingly, no comment has been included in respect of said clause under this report.

For Walker Chandiook & Co LLP
Chartered Accountants
Firm's Registration No.: 001076N/N500013

Aasheesh Arjun Singh
Partner
Membership No.: 210122
UDIN: 23210122BGXASZ1488

Bengaluru
September 06, 2023

Walker Chandiook & Co LLP

Annexure II to the Independent Auditor's Report of even date to the members of Capillary Technologies India Limited (formerly known as Capillary Technologies India Private Limited) on the standalone financial statements for the year ended March 31, 2023

Independent Auditor's Report on the internal financial controls with reference to the standalone financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')

1. In conjunction with our audit of the standalone financial statements of Capillary Technologies India Limited (formerly known as Capillary Technologies India Private Limited) ('the Company') as at and for the year ended 31 March 2023, we have audited the internal financial controls with reference to financial statements of the Company as at that date.

Responsibilities of Management and Those Charged with Governance for Internal Financial Controls

2. The Company's Board of Directors is responsible for establishing and maintaining internal financial controls based on the internal control with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting ('the Guidance Note') issued by the Institute of Chartered Accountants of India ("the 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 the Company's business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility for the Audit of the Internal Financial Controls with Reference to Standalone Financial Statements

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

Walker Chandiook & Co LLP

Annexure II to the Independent Auditor's Report of even date to the members of Capillary Technologies India Limited (formerly known as Capillary Technologies India Private Limited) on the standalone financial statements for the year ended March 31, 2023

Meaning of Internal Financial Controls with Reference to Standalone Financial Statements

6. A company's internal financial controls with reference to 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 financial statements include 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 Standalone Financial Statements

7. Because of the inherent limitations of internal financial controls with reference to 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 financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such controls were operating effectively as at 31 March 2023, based on the internal control with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

For Walker Chandiook & Co LLP

Chartered Accountants

Firm's Registration No.: 001076N/N500013

Aasheesh Arjun Singh

Partner

Membership No.: 210122

UDIN: 23210122BGXASZ1488

Bengaluru

September 06, 2023

Capillary Technologies India Limited
(formerly known as 'Capillary Technologies India Private Limited')
Standalone Balance Sheet as at March 31, 2023

(All amounts in Indian Rupees (₹) millions, unless otherwise stated)

	Notes	As at March 31, 2023	As at March 31, 2022
I Assets			
(1) Non-current assets			
(a) Property, plant and equipment	3	13.48	18.34
(b) Intangible assets	4	379.87	1.92
(c) Intangible assets under development	4	54.97	-
(d) Right-of-use assets	30	12.63	29.47
(e) Financial assets			
(i) Investments	5	1,325.50	959.73
(ii) Other financial assets	6	115.69	156.03
(f) Non-current tax assets	7	50.53	72.73
(g) Other non-current assets	10	1,185.50	0.34
		3,138.17	1,238.56
(2) Current assets			
(a) Financial assets			
(i) Trade receivables	8	801.82	1,146.70
(ii) Cash and cash equivalents	9	419.74	101.54
(iii) Other financial assets	6	164.14	128.25
(b) Other current assets	10	27.99	54.32
		1,413.69	1,430.81
Total assets (1+2)		4,551.86	2,669.37
II Equity and liabilities			
(1) Equity			
(a) Equity share capital	11	105.79	100.03
(b) Other equity	12	1,944.56	1,402.23
		2,050.35	1,502.26
(2) Non-current liabilities			
(a) Financial liabilities			
(i) Borrowings	13	421.13	197.17
(ii) Lease liabilities	30	-	11.28
(b) Net employee defined benefit liabilities	14	43.24	32.80
		464.37	241.25
(3) Current liabilities			
(a) Financial liabilities			
(i) Borrowings	13	915.67	403.32
(ii) Lease liabilities	30	14.42	19.44
(iii) Trade payables			
(a) Dues of micro enterprises and small enterprises	18	28.77	7.68
(b) Dues of creditors other than micro enterprises and small enterprises	18	445.24	354.81
(iv) Other financial liabilities	16	406.76	48.88
(b) Net employee defined benefit liabilities	14	10.90	7.69
(c) Provisions	15	4.41	20.08
(d) Other current liabilities	17	210.97	63.96
		2,037.14	925.86
Total liabilities (2+3)		2,501.51	1,167.11
Total equity and liabilities (1+2+3)		4,551.86	2,669.37

Summary of significant accounting policies 2.3

The accompanying notes are an integral part of the Standalone Financial Statements.

As per our report of even date.

For **Walker Chandiook & Co LLP**
Chartered Accountants
Firm's registration number: 001076N/N500013

For and on behalf of the Board of Directors of
Capillary Technologies India Limited
(formerly known as 'Capillary Technologies India Private Limited')

Aasheesh Arjun Singh
Partner
Membership No: 210122

Aneesh Reddy
Managing Director
DIN: 02214511

Sameer Garde
Executive Director and CEO
DIN: 06536413

Place: Bengaluru, India
Date: September 06, 2023

Anant Choubey
Executive Director, COO & CFO
DIN: 06536413
Place: Bengaluru, India
Date: September 06, 2023

G. Bhargavi Reddy
Company Secretary
Membership No: - A17091
Place: Bengaluru, India
Date: September 06, 2023

Capillary Technologies India Limited
(formerly known as 'Capillary Technologies India Private Limited')
Standalone Statement of Profit and Loss as at March 31, 2023
(All amounts in Indian Rupees (₹) millions, unless otherwise stated)

	Notes	For the year ended March 31, 2023	For the year ended March 31, 2022
I Income			
Revenue from operations	19	1,501.29	1,633.36
Other income	20	61.70	8.64
Total income		1,562.99	1,642.00
II Expenses			
Cost of campaign services		253.53	160.16
Professional and consultancy expenses		248.09	203.43
Employee benefit expenses	21	1,426.48	1,110.37
Depreciation and amortisation expenses	22	240.08	34.33
Finance costs	23	90.60	46.93
Other expenses	24	204.85	148.29
Total expenses		2,463.63	1,703.51
III Loss before exceptional items and tax (I - II)		(900.64)	(61.51)
IV Exceptional items (net)	25	-	(160.07)
V Loss before tax (III + IV)		(900.64)	(221.58)
VI Tax expenses			
(a) Current tax	26	-	-
(b) Deferred tax charge/ (credit)	26	-	-
Total tax expenses		-	-
VII Loss for the year (V - VI)		(900.64)	(221.58)
VIII Other comprehensive income			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
(i) Re-measurement (losses) / gains on defined benefit plan		(4.92)	(3.74)
Income tax effect on above		-	-
Total other comprehensive loss for the year (net of tax)		(4.92)	(3.74)
IX Total comprehensive loss for the year (net of tax) (VII + VIII)		(905.56)	(225.32)
X Loss per share (EPS) (face value - ₹ 2 each)			
Basic (₹)	27	(18.00)	(4.53)
Diluted (₹)	27	(18.00)	(4.53)

Summary of significant accounting policies

2.3

The accompanying notes are an integral part of the Standalone
As per our report of even date

For **Walker Chandiook & Co LLP**
Chartered Accountants

ICAI firm registration number: 001076N/N500013

For and on behalf of the Board of Directors of
Capillary Technologies India Limited
(formerly known as 'Capillary Technologies India Private Limited')

Aasheesh Arjun Singh
Partner
Membership No: 210122

Place: Bengaluru
Date: September 06, 2023

Anesh Reddy
Managing Director
DIN: 02214511

Sameer Garde
Executive Director and CEO
DIN: 06536413

Anant Choubey
Executive Director, COO &
CFO
DIN: 06536413

Place: Bengaluru, India
Date: September 06, 2023

G. Bhargavi Reddy
Company Secretary

Membership No: - A17091

Place: Bengaluru, India
Date: September 06, 2023

Capillary Technologies India Limited
(formerly known as 'Capillary Technologies India Private Limited')
Standalone Statement of Cashflow for the year ended March 31, 2023
(All amounts in Indian Rupees (₹) millions, unless otherwise stated)

	For the year ended March 31, 2023	For the year ended March 31, 2022
A. Cash flow generated from / (used in) operating activities		
Loss before tax	(900.64)	(221.58)
Adjustments to reconcile (loss) / profit before tax to net cash flows		
Depreciation and amortisation expenses	240.08	34.33
Provision for doubtful trade receivables and advances (including bad debts written off)	2.76	1.80
Employee stock option expenses (including exceptional items) (refer note 29)	562.59	492.47
Advances/ deposits written off	-	2.09
Property, plant and equipment written off	-	0.64
Provision/ liabilities no longer required, written back	2.51	(0.61)
Net foreign exchange differences	(77.16)	2.44
Interest income on bank deposit	(5.42)	(4.75)
Finance costs	84.75	46.93
Operating profit before working capital changes	(90.52)	353.76
Working capital adjustments :		
(Increase) in trade receivables	(91.77)	(605.50)
(Increase) in non-current and current other financial and other assets	(5.97)	(159.07)
Increase in trade payables, non-current and current other financial, other liabilities and provisions	257.38	246.66
Cash from / (used) in operations	69.11	(164.15)
Direct taxes (paid) / refund	22.20	(31.54)
Net cash flow from / (used) in operating activities (A)	91.31	(195.69)
B. Cash flow generated from / (used in) investing activities		
Purchase of property, plant and equipment including intangible assets	(267.91)	(21.24)
Advance towards investment in subsidiary	(659.28)	-
Purchase of non-current investments	(331.57)	(937.44)
Finance income received	-	4.19
Investment /(withdrawal) of bank deposits	42.38	(68.77)
Net cash used in investing activities (B)	(1,216.38)	(1,023.26)
C. Cash flow generated from financing activities		
Proceeds from issue of share capital, (including security premium)	820.60	886.00
Proceeds from issue of non convertible debentures	544.00	-
Proceeds from long-term borrowings	-	215.00
Repayment of long-term borrowings	(122.86)	(61.43)
Payment of principal and interest portion of lease liabilities	(19.44)	(11.06)
Proceeds / (repayment) from short-term borrowings (net)	285.67	243.08
Finance costs paid	(58.83)	(47.88)
Buy back of employee stock options	(5.87)	-
Net cash generated from financing activities (C)	1,443.27	1,223.71
Net increase in cash and cash equivalents (A+B+C)	318.20	4.76
Cash and cash equivalents at the beginning of the year	101.54	96.78
Cash and cash equivalents at the end of the year	419.74	101.54
Components of cash and cash equivalents		
Balances with banks		
- On current accounts	419.74	101.54
Total cash and cash equivalents (refer note 9)	419.74	101.54
Non-cash investing activities		
Acquisition of right-of-use assets (refer note 30)	-	33.68

Capillary Technologies India Limited
(formerly known as 'Capillary Technologies India Private Limited')
Standalone Statement of Cashflow for the year ended March 31, 2023

Explanatory notes to statements of cash flows

	Borrowings (refer note 13)	Lease liabilities (including current portion of lease liabilities) (refer note 30)
As at April 01, 2022	600.49	30.72
Cash flow changes		
Proceeds from long-term borrowings	544.00	-
Repayment of long-term borrowings	(122.86)	-
Proceeds/ (repayment) from short term borrowings (net)	285.67	-
Payment of lease liabilities	-	(19.44)
Non-cash changes		
Accretion of interest on lease liabilities (refer note 30)	-	3.14
Foreign exchange fluctuations	10.33	-
Interest on borrowings measured at amortised cost	22.80	-
Corporate guarantee	(3.63)	-
As at March 31, 2023	1,336.80	14.42
As at April 01, 2021	199.44	6.12
Cash flow changes		
Proceeds from long-term borrowings	215.00	(11.06)
Repayment of long-term borrowings	(61.43)	-
Proceeds/ (repayment) from short term borrowings (net)	243.08	-
Non-cash changes		
Accretion of interest on lease liabilities (refer note 30)	-	1.98
Foreign exchange fluctuations	4.40	-
Recognition of lease liabilities (refer note 30)	-	33.68
As at March 31, 2022	600.49	30.72

Summary of significant accounting policies 2.3

The accompanying notes are an integral part of the Standalone Financial Statements.

As per our report of even date

For **Walker Chandio & Co LLP**
Chartered Accountants
 Firm's registration number: 001076N/N500013

For and on behalf of the Board of Directors of
Capillary Technologies India Limited
 (formerly known as 'Capillary Technologies India Private Limited')

Aasheesh Arjun Singh
Partner
 Membership No: 210122

Anesh Reddy
Managing Director
 DIN: 02214511

Sameer Garde
Executive Director and CEO
 DIN: 06536413

Place: Bengaluru
 Date: September 06, 2023

Anant Choubey
Executive Director, COO & CFO
 DIN: 06536413

G. Bhargavi Reddy
Company Secretary
 A17091

Place: Bengaluru, India
 Date: September 06, 2023

Place: Bengaluru, India
 Date: September 06, 2023

Capillary Technologies India Limited
(formerly known as 'Capillary Technologies India Private Limited')
Standalone Statement of Changes in Equity for the year ended March 31, 2023
(All amounts in Indian Rupees (₹) millions, unless otherwise stated)

A. Equity share capital*

	No. (in millions)	₹
As at April 01, 2021	2.33	23.33
Issuance of share capital (refer notes 11(a) ^{1,2,4,5})	0.09	0.90
Conversion of Compulsorily Convertible Preference Shares (CCPS) (refer note 11(a) ³)	0.02	0.17
Adjustment for sub-division of equity shares (refer note 11(a) ⁶)	9.76	-
Issuance of bonus shares (refer note 11(a) ⁷)	37.81	75.63
As at March 31, 2022	50.01	100.03
Issuance of share capital (refer note 11(a) ⁸)	2.66	5.33
Issuance of bonus shares (refer note 11(a) ⁹)	0.22	0.43
As at March 31, 2023	52.89	105.79

B. Other equity**

	Attributable to the equity shareholders - Reserves and surplus				
	Retained earnings / (Accumulated deficit)	Share based payments reserve	Capital contribution from the Holding Company	Securities premium	Total other equity
Balance as at April 01, 2021	(1,315.59)	-	669.36	949.72	303.49
Loss for the year	(221.58)	-	-	-	(221.58)
Other comprehensive loss for the year (net of taxes)***	(3.74)	-	-	-	(3.74)
Issuance of share capital (refer note 11(a) ^{1,2,4,5})	-	-	-	753.25	753.25
Conversion of CCPS (refer note 11(a) ³)	-	-	-	131.68	131.68
Issuance of fully paid bonus shares (refer note 11(a) ⁷)	-	-	-	(75.63)	(75.63)
Employee stock option expenses (refer notes 21, 25 and 29)	-	236.88	255.59	-	492.47
Capital contribution in subsidiaries (refer notes 5 and 32)	-	22.29	-	-	22.29
Balance as at March 31, 2022	(1,540.91)	259.17	924.95	1,759.02	1,402.23
Loss for the year	(900.64)	-	-	-	(900.64)
Other comprehensive loss for the year (net of taxes)***	(4.92)	-	-	-	(4.92)
Issuance of share capital (refer note 11(a) ⁸)	-	-	-	815.27	815.27
Employee stock option expenses (refer notes 21, 25 and 29)	-	601.09	-	-	601.09
Buy-back of employee stock option	-	(5.87)	-	-	(5.87)
Issuance of fully paid bonus shares (refer note 11(a) ⁷)	-	-	-	(0.43)	(0.43)
Capital contribution in subsidiaries (refer notes 5 and 32)	-	34.20	-	-	34.20
Corporate Guarantee provided by the Holding Company	-	-	3.63	-	3.63
Balance as at March 31, 2023	(2,446.47)	888.59	928.58	2,573.86	1,944.56

*Also refer note 11

**Also refer note 12

***As required under Ind AS Schedule III, the Company has recognised remeasurement gains / (losses) of defined benefit plans as part of retained earnings.

Summary of significant accounting policies 2.3

The accompanying notes are an integral part of the Standalone Financial Statements.

As per our report of even date

For **Walker Chandiook & Co LLP**
Chartered Accountants

ICAI firm registration number: 001076N/N500013

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

(formerly known as 'Capillary Technologies India Private Limited')

Aasheesh Arjun Singh

Partner

Membership No: 210122

Place: Bengaluru, India

Date: September 06, 2023

Aneesh Reddy

Executive Director and CEO

DIN: 02214511

Anant Choubey

Executive Director, COO & CFO

DIN: 06536413

Place: Bengaluru, India

Date: September 06, 2023

Sameer Garde

Executive Director and CEO

DIN: 06536413

G. Bhargavi Reddy

Company Secretary

Membership No: - A17091

Place: Bengaluru, India

Date: September 06, 2023

Capillary Technologies India Limited (formerly known as Capillary Technologies India Private Limited)
Notes to the Standalone Financial Statements for the year ended March 31, 2023

1. Corporate Information

Capillary Technologies India Limited (formerly known as Capillary Technologies India Private Limited) (“the Company”) is a public limited company domiciled in India and is incorporated under the provisions of the Companies Act applicable in India. The registered office of the Company is located at #36/5, 2nd Floor, Somasandra Palya, adjacent 27th Main Road, Sector 2, HSR Layout, Bengaluru – 560102.

Pursuant to the approval of the Members vide a special resolution dated October 14, 2021 and as per applicable provisions of the Act, the Board of Directors have approved conversion of the Company from a Private Limited Company to a Public Limited Company and consequently the name of the Company is changed to 'Capillary Technologies India Limited' by amending the Object Clause of Memorandum of Association and adopting the new Articles of Association of the Company. On November 23, 2021, the Company converted into a Public Limited Company.

The Company are primarily engaged in the business of providing cloud based intelligent customer engagement software solutions to retail chain operators.

The Standalone Financial Statements were approved by the Board of Directors and authorised for issue in accordance with a resolution of the Directors on September 06, 2023.

2. Significant accounting policies

2.1 Basis of preparation

In accordance with the notification issued by the Ministry of Corporate Affairs, the Company is required to prepare its Standalone Financial Statements as per the Indian Accounting Standards prescribed under Section 133 of the Companies Act, 2013 read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 (as amended) ('Ind AS'). Accordingly, the Company has prepared these standalone financial statements which comprise the Standalone Balance Sheet as at March 31, 2023, the Standalone Statement of Profit and Loss, the Standalone Statement of Cash Flows and the Standalone Statement of Changes in Equity for the year ended March 31, 2023, and a summary of significant accounting policies and other explanatory information (together hereinafter referred to as 'Standalone Financial Statements').

The Standalone Financial Statements have been prepared using the significant accounting policies and measurement bases summarised below. These accounting policies have been used throughout all periods presented in these standalone financial statements, except where the Company has applied certain accounting policies and exemptions upon transition to Ind AS.

The Standalone Financial Statements have been prepared on the historical cost basis except for certain financial instruments measured at fair values at the end of each reporting period, as explained in the accounting policies below.

The Standalone Financial Statements are presented in ₹ and all values are rounded to the nearest millions (₹ 000,000), except when otherwise indicated.

The Company has prepared the Standalone Financial Statements on the basis that it will continue to operate as a going concern.

2.2 Statement of compliance with Ind AS

The standalone financial statements have been prepared in accordance with the accounting principles generally accepted in India including Ind AS prescribed under Section 133 of the Companies Act, 2013 ('the Act') read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 (as amended).

2.3 Summary of significant accounting policies

a. Current versus non-current classification

The Company presents assets and liabilities in the Standalone Balance Sheet based on current/ non-current classification. An asset is treated as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current

a. Current versus non-current classification (cont'd)

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Advance tax paid is classified as non-current assets.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. Based on the nature of operations and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle being a period of 12 months for the purpose of classification of assets and liabilities as current and non-current.

b. Fair value measurement

The Company measures financial instruments at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Standalone Financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Standalone Financial Statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

This note summarises accounting policy for fair value. Other fair value related disclosures are given in the relevant notes.

- ▶ Disclosures for valuation methods, significant estimates and assumptions
- ▶ Quantitative disclosures of fair value measurement hierarchy
- ▶ Financial instruments (including those carried at amortised cost)

c. Revenue recognition

Revenue arises mainly from the sale of services. To determine when to recognise revenue, the Company follows the following 5-step process:

- ▶ Identifying the contract with a customer
- ▶ Identifying the underlying performance obligations
- ▶ Determining the transaction price
- ▶ Allocating the transaction price to the performance obligations
- ▶ Recognising revenue when/as performance obligation(s) are satisfied.

Revenue is recognised upon transfer of control of the promised services to customers in an amount that reflects the consideration that the Company expects to receive in exchange for those services, net of indirect taxes, discounts, rebates, credits etc. The Company applies the revenue recognition criteria to each separately identifiable component of the revenue transaction as set out below:

Income from services

(i) Retainership services

The Company is engaged in the business of providing cloud based intelligent customer engagement software solutions. Revenue is recognized over the specified subscription period or on the basis of underlying services performed, as the case may be, in accordance with the arrangement with the customers. The Company recognises revenue for a sales-based or usage-based royalty promised in the contract only when (or as) the subsequent sale or usage occurs.

(ii) Campaign services

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

(iii) Installation services

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

In contracts with customers where the retainership, campaign services and installation services are bundled together, the Company has applied the guidance in Ind AS 115 by applying the revenue recognition criteria for each distinct performance obligation. For allocating the transaction price, the Company has measured the revenue in respect of each performance obligation of a contract and its relative standalone selling price. The price that is regularly charged for an item when sold separately is the best evidence of its standalone selling price. In cases where the Company is unable to determine the standalone selling price, the Company uses the expected cost plus margin approach in estimating the standalone selling price.

The Company has assessed its revenue arrangements based on the substance of the transaction and business model against specific criteria to determine if it is acting as principal or agent.

(iv) Service income from Group Companies

The Company has appointed subsidiaries as Limited Risk Distributor to sell, use and offer to sale, display and market the platform in their territories. The Company has agreed to maintain an agreed upon profitability in the subsidiaries for the revenue derived from the Capillary Loyalty Platform.

Other income

(i) Interest income

For all financial instruments measured either at amortised cost or at fair value through other comprehensive income, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses. Interest income is included in other income in the Standalone Statement of Profit and Loss.

(ii) Dividend income

Dividend income is recognized when the right to receive payment is established, which is generally when shareholders approve the dividend, provided it is probable that the economic benefits associated with the dividend will flow to the Company, and the amount of the dividend can be measured reliably.

c. Revenue recognition (cont'd)

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are transferred to receivables when the rights become unconditional and contract liabilities are recognized as and when the performance obligation is satisfied.

Contract assets are subject to impairment assessment. Refer to accounting policies on impairment of financial assets in section (I) Financial instruments – initial recognition and subsequent measurement below

Trade receivables

A receivable is recognised if an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section (I) Financial instruments – initial recognition and subsequent measurement below

Deferred contract costs

Deferred contract costs are incremental costs that are associated with acquiring customer contracts and consists primarily of sales commissions to employees and certain referral fees paid to third-party resellers. Incremental costs of obtaining a contract are capitalised if these costs are recoverable. Costs to fulfil a contract are capitalised if the costs relate directly to the contract, generate or enhance resources used in satisfying the contract and are expected to be recovered. Other contract costs are expensed as incurred.

Capitalised contract costs are subsequently amortised on a systematic basis as the Company recognises the related revenue. An impairment loss is recognised in Standalone Statement of Profit and Loss to the extent that the carrying amount of the capitalised contract costs exceeds the remaining amount of consideration that the Company expects to receive in exchange for the goods or services to which the contract costs relates less the costs that relate directly to providing the goods and that have not been recognised as expenses. The maximum period over which the Company expects to derive benefit from contracts entered into with customers is 3 years. The Company has elected to apply the practical expedient to recognise the incremental costs of obtaining a contract as an expense when incurred where the amortisation period of the asset that would otherwise be recognised is over year or less.

Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Company transfers the related goods or services. Contract liabilities are recognised as revenue when the Company performs under the contract (i.e., transfers control of the related goods or services to the customer).

d. Taxes on income

Current income tax

Tax expense for the period comprises current and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Standalone Statement of Profit and Loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The Company's liability for current tax is calculated using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Current income tax relating to items recognised outside profit or loss is recognised outside Standalone Statement of Profit and Loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Company shall reflect the effect of uncertainty for each uncertain tax treatment by using either most likely method or expected value method, depending on which method predicts better resolution of the treatment.

d. Taxes on income (cont'd)

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying values of assets and liabilities in the Standalone Financial Statements and the corresponding tax bases used in the computation of the taxable profit and is accounted for using the liability model. Deferred tax liabilities are generally recognised for all the taxable temporary differences. In contrast, deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax relating to items recognised outside Standalone Statement of Profit and Loss is recognised outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

e. Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognised in Standalone Statement of Profit and Loss as incurred.

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

The Company identifies and determines cost of each component/ part of the asset separately, if the component/ part has a cost which is significant to the total cost of the asset having useful life that is materially different from that of the remaining asset. These components are depreciated over their useful lives; the remaining asset is depreciated over the life of the principal asset.

Depreciation is calculated on a written down value over the estimated useful lives of the assets as follows:

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

Leasehold improvements are depreciated over the period of lease or estimated useful life, whichever is lower, on straight line basis

The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

e. Property, plant and equipment (cont'd)

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Standalone Statement of Profit and Loss when the asset is derecognised.

f. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period with the effect of any change in the estimate being accounted for on a prospective basis. The amortisation expense on intangible assets is recognised in the Standalone Statement of Profit and Loss unless such expenditure forms part of carrying value of another asset.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Standalone Statement of Profit and Loss, when the asset is derecognised.

Internally generated intangible assets

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the Standalone Statement of Profit and Loss in the year in which the expenditure is incurred.

Software product development are expensed as incurred unless technical and commercial feasibility of the project is demonstrated, future economic benefits are probable, the Company has an intention and ability to complete and use or sell the software and the cost can be measured reliably. The costs which can be capitalised including the cost of employees and overhead costs that are directly attributable to preparing the asset for its intended use.

The Company has identified certain intangibles which are being internally generated. In the research phase of an internal project, an entity cannot demonstrate that an intangible asset exists that will generate probable future economic benefits. Therefore, this expenditure is recognised as an expense when it is incurred. An intangible asset arising from development (or from the development phase of an internal project) shall be recognised if, and only if, an entity can demonstrate all of the following:

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- (b) its intention to complete the intangible asset and use or sell it.
- (c) its ability to use or sell the intangible asset.
- (d) how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- (f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

The Company had completed the research and acceptance phase and the projects are in the development phase. The Company has done evaluation of the internally generated software and concluded on being treated as intangible assets. Refer note 4 for further disclosure.

Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of three years. Amortisation expense is recognised in the Standalone Statement of Profit and Loss unless such expenditure forms part of carrying value of another asset.

Amortisation is calculated on a written down value basis over the estimated useful lives of the assets as follows:

Sl. No.	Block	Useful lives estimated by the management (in years)
1	Computer software	5
2	Internally generated intangible assets	3

Patent

Patents and licenses are measured on initial recognition at professional charges incurred on registration of such patents in connection with the Company customer servicing methodology and if the registration of the patent is under progress, the same is recognised as Intangible assets under development.

g. Borrowing costs

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 capitalised as part of the cost of the asset until such time as the assets are substantially ready for the intended use or sale. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs

h. Leases

The Company has lease contracts for office spaces. The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and accumulated impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies stated under 'Impairment of non-financial assets'.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

i. Impairment of non-financial assets

As at the end of each accounting year, the Company reviews the carrying amounts of its property plant and equipment and intangible assets determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the said assets are tested for impairment so as to determine the impairment loss, if any. Intangible assets with indefinite life are tested for impairment each year.

Impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is determined:

- (i) in the case of an individual asset, at the higher of the fair value less costs of disposal and the value in use; and
- (ii) in the case of a cash generating unit (CGU) (a group of assets that generates identified, independent cash flows), at the higher of the cash generating unit's net fair value less costs of disposal and the value in use.

The amount of value in use is determined as the present value of estimated future cash flows from the continuing use of an asset and from its disposal at the end of its useful life. For this purpose, the discount rate (pre-tax) is determined based on the weighted average cost of capital of the Company suitably adjusted for risks specified to the estimated cash flows of the asset.

For this purpose, a cash generating unit is ascertained as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

If recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, such deficit is recognised immediately in the Standalone Statement of Profit and Loss as impairment loss and the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount.

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 assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. To estimate cash flow projections beyond periods covered by the most recent budgets/forecasts, the Company extrapolates cash flow projections in the budget using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. In any case, this growth rate does not exceed the long-term average growth rate for the products, industries, or country in which the Company operates, or for the market in which the asset is used.

Impairment losses are recognised in the Standalone Statement of Profit and Loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss is recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the Standalone Statement of Profit and Loss.

j. Provisions and contingent liabilities

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a 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. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the Standalone Statement of Profit and Loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

If the Company has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Company recognises any impairment loss that has occurred on assets dedicated to that contract.

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Company cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The cost of fulfilling a contract comprises the costs that relate directly to the contract (i.e., both incremental costs and an allocation of costs directly related to contract activities).

j. Provisions and contingent liabilities (cont'd)

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 Standalone Financial Statements.

Provisions and contingent liability are reviewed at each balance sheet.

In respect of financial guarantees provided by the Company to third parties, the Company considers that it is more likely than not that such an amount will not be payable under the guarantees provided.

k. Retirement and other employee benefits

Short-term employee benefits

All employee benefits expected to be settled wholly within twelve months of rendering the service are classified as short-term employee benefits. When an employee has rendered service to the Company during an accounting period, the Company recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as an expense unless another Ind AS requires or permits the inclusion of the benefits in the cost of an asset. Benefits such as salaries, wages and short-term compensated absences, bonus and ex-gratia etc. are recognised in Standalone Statement of Profit and Loss in the period in which the employee renders the related service.

Defined contribution plans

Eligible employees of the Company in India participate in a defined contribution plan (Provident Fund) in accordance with the regulatory requirements in India. Both the employee and the Company contribute to the fund at a specified percentage of the employee's salary

The Company has no further obligation under defined contribution plans beyond the contributions made under these plans.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company has an obligation towards gratuity, a defined benefit retirement plan covering eligible employees. The plan provides for a lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount based on the respective employee's salary and the tenure of employment. The Company accounts for the liability for gratuity benefits payable in future based on an independent actuarial valuation report using the projected unit credit method as at the year end.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the Standalone Balance Sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to Standalone Statement of Profit and Loss in subsequent periods.

Past service costs are recognised in Standalone Statement of Profit and Loss on the earlier of:

- a) The date of the plan amendment or curtailment, and
- b) The date that the Company recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation as an expense in the Standalone Statement of Profit and loss

- a) Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- b) Net interest expense or income.

l. Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contract embodying the related financial instruments. All financial assets, financial liabilities and financial guarantee contracts are initially measured at transaction cost and where such values are different from the fair value, at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the fair value measured on initial recognition of financial asset or financial liability. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit and loss are immediately recognised in the Standalone Statement of Profit and Loss.

I. Financial instruments (cont'd)

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through Standalone Statement of Profit and Loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price as disclosed under revenue recognition policy.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period.

(i) Financial assets

Financial assets at amortised cost

Financial assets are subsequently measured at amortised cost if these financial assets are held within a business model whose objective is to hold these assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at fair value

Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business model whose objective is to hold these assets in order to collect contractual cash flows and to sell these financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial asset not measured at amortised cost or at fair value through other comprehensive income is carried at fair value through profit or loss.

For financial assets maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

Impairment of financial assets

Loss allowance for expected credit losses is recognised for financial assets measured at amortised cost and fair value through the Standalone Statement of Profit and Loss.

For trade receivables only, the Company recognises expected lifetime losses using the simplified approach permitted by Ind AS-109, from initial recognition of the receivables.

For financial assets whose credit risk has not significantly increased since initial recognition, loss allowance equal to twelve months expected credit losses is recognised. Loss allowance equal to the lifetime expected credit losses is recognised if the credit risk on the financial instruments has significantly increased since initial recognition.

For financial assets maturing within one year from the balance sheet date, the carrying amounts approximates fair value due to the short maturity of these instruments.

De-recognition of financial assets

The Company de-recognises a financial asset only when the contractual rights to the cash flows from the financial asset expire, or it transfers the financial asset and the transfer qualifies for de-recognition under Ind AS 109.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the assets and an associated liability for amounts it may have to pay.

De-recognition of financial assets (cont'd)

If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On de-recognition of a financial asset in its entirety, the difference between the carrying amount measured at the date of de-recognition and the consideration received is recognised in Standalone Statement of Profit or Loss.

(ii) Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method where the time value of money is significant. Interest bearing bank loans, overdrafts and issued debt are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in the Standalone Statement of Profit and Loss.

For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

b) De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Standalone Statement of Profit and Loss.

Off-setting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Standalone Balance Sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

m. Segment reporting

Operating segments are identified as those components of the Company (a) that engage in business activities to earn revenues and incur expenses (including transactions with any of the Company's other components); (b) whose operating results are regularly reviewed by the Company's Chief Operating Decision Maker (CODM) to make decisions about resource allocation and performance assessment and (c) for which discrete financial information is available. The accounting policies consistently used in the preparation of Standalone Financial Statements are also applied to record revenue and expenditure in individual segments. Assets, liabilities, revenues and direct expenses in relation to segments are categorised based on items that are individually identifiable to that segment, while other items, wherever allocable, are apportioned to the segment on an appropriate basis. Certain items are not specifically allocable to individual segments as the underlying services are used interchangeably. The Company therefore believes that it is not practical to provide segment disclosures relating to such items and accordingly such items are separately disclosed as 'unallocated'

An operating segment is classified as reportable segment if reported revenue (including inter-segment revenue) or absolute amount of result or assets exceed 10% or more of the combined total of all the operating segments.

CODM evaluates the performance of the Company based on the single operative segment as cloud based intelligent customer engagement software solutions to retail chain operators. Therefore, there is only one reportable segment called CRM services in accordance with the requirement of Ind AS 108 "Operating Segments".

n. Cash and cash equivalents

Cash and cash equivalent in the Standalone Balance Sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value.

o. Share-based payments

Certain employees of the Company are entitled to share-based payments, whereby employees render services as consideration for equity instruments of the Company (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate Black-Scholes valuation model.

That cost is recognised, together with a corresponding increase in capital contribution from the parent reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the Standalone Statement of Profit and Loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that year and is recognised in employee benefits expense.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Company's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the Company or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

p. Foreign currencies

The Company's Standalone Financial Statements are presented in ₹, which is also the Company's functional currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated at the spot rates of exchange at the reporting date. Exchange differences arising on settlement or translation of monetary items are recognised in Standalone Statement of Profit and Loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

q. Corporate social responsibility ('CSR') expenditure

The Company charges its CSR expenditure during the year to the Standalone Statement of Profit and Loss.

r. Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders of the Company 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 are 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 of the Company and the weighted average number of shares outstanding during the period are adjusted for the effects of all potential dilutive equity shares.

s. Initial Public Offering (IPO) Transaction cost

The costs of an IPO that involves both issue and listing of new shares and listing the existing equity shares has been accounted for as follows:

- Incremental costs that are directly attributable to issuing new shares has been deferred until successful consummation of IPO upon which it shall be deducted from equity (net of any income tax benefit).
- Costs that relate to the stock market listing, or are otherwise not incremental and directly attributable to issuing new shares, has been recorded as an expense in the statement of profit and loss as and when incurred.
- Costs that relate to both share issuance and listing has been allocated between those functions on a rational and consistent basis i.e. based on proportion of new shares issued to the total number of (new and existing) shares listed.

2.4 Significant accounting judgements, estimates and assumptions

The preparation of the Company's Standalone Financial Statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Actual results could differ from those estimates. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods affected.

(i) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

The Company based its assumptions and estimates on parameters available when the Standalone Financial Statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

a. Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the Standalone Balance Sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Discounted Cashflows Model (DCF model). The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Refer note 34 for further disclosures.

b. Contingencies

Contingent liabilities may arise from the ordinary course of business in relation to claims against the Company, including legal and contractual claims. By their nature, contingencies will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence and potential quantum of contingencies inherently involves the exercise of significant judgement and the use of estimates regarding the outcome of future events. Refer note 31 for further disclosures.

c. Defined benefit plans (gratuity benefits)

The cost of the defined benefit gratuity plan and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate; future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate for plan operated in India, the management considers the interest rates of government bonds where remaining maturity of such bond correspond to expected term of defined benefit obligation. The mortality rate is based on publicly available mortality tables for India. Those mortality tables tend to change only at interval in response to demographic changes. Future salary increases and gratuity increases are based on expected future inflation rates for India.

Further details about gratuity obligations are given in note 28.

d. Provision for expected credit losses of trade receivables and contract assets

The Company estimates the credit allowance as per practical expedient based on the historical credit loss experience as enumerated in note 8(1).

e. Leases - Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates. Refer note 30 for further disclosures.

f. Share-based payments

The Company measures the cost of equity settled transactions with employees at the grant date using a Black Scholes model for General Employee Share Option Plan (GESOP) and 'Capillary Employees Stock Option Scheme' - 2021 (CESP). This estimation also requires determination of the most appropriate inputs to the valuation model including the expected life of the share options, risk free interest rate, volatility, dividend yield and time value of money and making assumptions about them. The assumptions and model used for estimating the fair value of the share based payments are disclosed in note 29.

g. Capitalisation of internally generated software

The Company has identified certain intangibles which are being internally generated. In the research phase of an internal project, an entity cannot demonstrate that an intangible asset exists that will generate probable future economic benefits. Therefore, this expenditure is recognised as an expense when it is incurred. An intangible asset arising from development (or from the development phase of an internal project) shall be recognised if, and only if, an entity can demonstrate all of the following:

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- (b) its intention to complete the intangible asset and use or sell it.
- (c) its ability to use or sell the intangible asset.
- (d) how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- (f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

The Company had completed the research and acceptance phase and the projects are in the development phase. The Company has done evaluation of the internally generated software and concluded on being treated as intangible assets. Refer note 4 for further disclosure.

h. Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the same can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Refer note 26 for further disclosures.

The Company has carried forward tax losses. The Company neither have any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Company has determined that it cannot recognise deferred tax assets on the tax losses carried forward.

2.5 Recent accounting pronouncement

Ministry of Corporate Affairs ("MCA") notifies new standards or amendments to the existing standards under Companies (Indian Accounting Standards) Rules as issued from time to time. On March 31, 2023, the MCA amended the Companies (Indian Accounting Standards) Amendment Rules, 2023, as below:

Ind AS 107 - Financial instrument - The amendment substitutes the paragraph 21 - while presenting a Financial Statement an entity discloses material accounting policy information. Information about the measurement basis (or bases) for financial instruments used in preparing the financial statements is expected to be material accounting policy information. The Company has evaluated the amendment and there is no impact on its Standalone Financial Statements.

Ind AS 1 - Presentation of Financial Statements - This amendment requires the entities to disclose their material accounting policies rather than their significant accounting policies. The effective date for adoption of this amendment is annual periods beginning on or after April 1, 2023. The Company has evaluated the amendment and the impact of the amendment is insignificant in the financial statements.

Ind AS 8 - Accounting Policies, Changes in Accounting Estimates and Errors - This amendment has introduced a definition of 'accounting estimates' and included amendments to Ind AS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates. The effective date for adoption of this amendment is annual periods beginning on or after April 1, 2023. The Company has evaluated the amendment and there is no impact on its financial statements.

Ind AS 12 - Income Taxes - This amendment has narrowed the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. The effective date for adoption of this amendment is annual periods beginning on or after April 1, 2023. The Company has evaluated the amendment and there is no impact on its financial statement.

None of the amendments notified by MCA which are applicable from April 1, 2023 are expected to have any material impact on the financial statements of the Company.

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Capillary Technologies India Limited
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3 Property, plant and equipment

Particulars	Computers	Office equipments	Leasehold improvements	Furniture and fixtures	Total
Gross block					
As at April 01, 2021	9.18	0.42	0.56	0.60	10.76
Additions	21.74	0.20	-	-	21.94
Disposals	(0.61)	(0.27)	-	(0.60)	(1.48)
As at March 31, 2022	30.31	0.35	0.56	-	31.22
Additions	8.85	0.99	-	-	9.84
As at March 31, 2023	39.16	1.34	0.56	-	41.06
Accumulated depreciation					
As at April 01, 2021	4.02	0.18	0.56	0.15	4.91
Charge for the year	8.51	0.15	-	0.12	8.78
Disposals	(0.45)	(0.09)	-	(0.27)	(0.81)
As at March 31, 2022	12.08	0.24	0.56	-	12.88
Charge for the year	14.57	0.13	-	-	14.70
As at March 31, 2023	26.65	0.37	0.56	-	27.58
Net block					
As at March 31, 2022	18.23	0.11	-	-	18.34
As at March 31, 2023	12.51	0.97	-	-	13.48

4 Intangible assets

Particulars	Computer software	Internally generated assets*	Total	Intangible asset under development**
Gross block				
As at April 01, 2021	5.91	-	5.91	-
Additions	-	-	-	-
Disposals	(0.01)	-	(0.01)	-
As at March 31, 2022	5.90	-	5.90	-
Additions	-	586.49	586.49	54.97
As at March 31, 2023	5.90	586.49	592.39	54.97
Accumulated amortisation				
As at April 01, 2021	2.42	-	2.42	-
Charge for the year	1.57	-	1.57	-
Disposals	(0.01)	-	(0.01)	-
As at March 31, 2022	3.98	-	3.98	-
Charge for the year	0.86	207.68	208.54	-
As at March 31, 2023	4.84	207.68	212.52	-
Net block				
As at March 31, 2022	1.92	-	1.92	-
As at March 31, 2023	1.06	378.81	379.87	54.97

* Internally generated intangible assets capitalised and intangible assets under development comprise of the following:

Particulars	Internally generated assets	Intangible asset under development
Purchase of intangible assets and intangible asset under development (together referred to as 'intellectual property, or 'IP') (refer note 16 and 32)	341.29	3.61
Employee salary costs	141.64	51.36
Employee stock option expenses	38.82	-
Software and server charges	64.74	-
	586.49	54.97

#Intangible asset under development (IAUD) ageing schedules

As at March 31, 2023

Particulars	Amount of IAUD for a period of				Total
	Less than 1 years	1-2 years	2-3 years	More than 3 years	
Project in progress	51.35	1.61	0.79	1.22	54.97
	51.35	1.61	0.79	1.22	54.97

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	As at March 31, 2023	As at March 31, 2022
5 Non-current investments		
Investments at cost³		
Unquoted equity shares (refer note 32)		
2,365.26 million (March 31, 2022: 1,563.71 million) equity shares of Capillary Pte Ltd., Singapore ^{1,2,3}	1,269.01	937.44
Capital contribution in subsidiaries (refer notes 29 and 32)		
Capillary Technologies DMCC, UAE ³	14.37	4.42
Capillary Technologies (Malaysia) Sdn. Bhd., Malaysia ³	18.58	5.75
Capillary Technologies (Shanghai) Co Ltd., China ³	-	1.35
PT Capillary Technologies Indonesia ³	2.50	0.41
Capillary Pte Limited., Singapore ³	0.61	0.10
Capillary Technologies LLC (formerly known as 'Persuade Loyalty LLC'), USA ³	20.43	10.26
Total non-current investments	1,325.50	959.73

Notes:

¹During the year ended March 31, 2023, the Board of Directors approved the investments by way of subscription of shares of Capillary Pte. Ltd, Singapore ('CPL') for an amount not exceeding USD 10.42 million on November 18, 2022, out of which, USD 4.05 million has been invested during the year.

The Company had invested in CPL at the rate of USD 0.013 per equity share a total amount of ₹ 331.57 in the following tranches:

- (a) 217.36 million equity shares on December 02, 2022; and
(b) 94.50 million equity shares on December 07, 2022

² During the previous year ended March 31, 2022, the Board of Directors approved the investments by way of subscription of shares of CPL for an amount not exceeding ₹ 1,000. As per the terms and conditions stated in the Share Subscription Agreements, the Company had invested in 1,385.14 million and 178.57 million equity shares of CPL at the rate of USD 0.0074 and USD 0.0140 per equity share respectively thereby amounting to a purchase consideration of ₹ 750.04 (USD 10.25 million) and ₹ 187.40 (USD 2.50 million) respectively.

³ During the previous financial year, the Company has invested in CPL which intum has certain underlying subsidiaries which had been incurring losses. Based on the internal assessment with regard to future operations, the management is of the view that the carrying value of the Company's investment in CPL as on March 31, 2023 is appropriate and no adjustments is required in the standalone financial statements in this regard.

6 Financial assets

Unsecured considered good unless otherwise stated

Non-current

Financial instruments at amortised cost

Non-current bank balances (refer note 9)

Total other non-current financial assets

115.69	156.03
115.69	156.03

Current

Financial instruments at amortised cost

Security deposits

Security deposits - others

Security deposits - credit impaired

2.75	2.66
-	0.63
2.75	3.29

Less: Impairment allowance for security deposits

-	(0.63)
(A) 2.75	2.66

Other receivables from related parties (refer note 32)¹

Advances to employees

Interest accrued on fixed deposits

156.94	124.65
0.33	0.20
4.12	0.74
(B) 161.39	125.59

Total other current financial assets

(A+B) 164.14	128.25
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¹ Other receivables from related parties are non-interest bearing and are generally on terms of upto 90 days. Other receivables from related parties includes ₹ 128.23 (March 31, 2022: ₹ 113.65) due from the Holding Company which are secured against the External Commercial Borrowings of ₹ 179.22 (March 31, 2022: ₹ 153.67) payable to the Holding Company. These amounts will be settled on the completion of certain events and are therefore currently not due. The management expects to recover the amount from Holding Company within next twelve months.

7 Non-current tax assets

Advance income-tax

Total non-current tax assets

50.53	72.73
50.53	72.73

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	As at March 31, 2023	As at March 31, 2022
8 Trade receivables		
Trade receivables - Others ²	187.33	134.76
Trade receivable - Related parties ^{1,2,3,4} (refer note 10)	614.49	1,011.94
Total trade receivables	801.82	1,146.70
Break-up for security details:		
Trade receivables - Unsecured, considered good	801.82	1,146.70
Trade receivables - Unsecured, credit impaired (refer note 8.1)	3.04	15.66
(A)	804.86	1,162.36
Impairment allowance (allowance for bad and doubtful debts)		
Trade receivables - Unsecured, credit impaired (refer note 8.1)	(3.04)	(15.66)
(B)	(3.04)	(15.66)
(A + B)	801.82	1,146.70

¹ No trade or other receivable are due from directors or other officers of the Company either severally or jointly with any other person. Nor any trade or other receivable are due from firms or private companies respectively in which any director is a partner, a director or a member. Also refer note 32.

² Trade receivables are non-interest bearing and are generally on terms of upto 90 days.

³ The Company has trade receivables (including unbilled revenue of nil (March 31, 2022: ₹ 331.37) aggregating to ₹ 614.49 and ₹ 1,011.94 as on March 31, 2023 and March 31, 2022 respectively, which is outstanding from Capillary Pte. Ltd.

⁴ Trade receivables amounting to ₹ 515.97 towards rendering of service which are aged beyond the timelines stipulated in FED Master Direction No. 16/2015-16 under the Foreign Exchange Management Act, 1999. The Company has approached their Authorised Dealer (AD) banker, seeking an extension of the time for realisation of referred amount and is in the process of settling with the related parties. However, the application is pending for approval by the AD banker. Based on such approvals from AD bankers, the Company may receive money from the related party pursuant to fulfillment of the requirements in Master Circulars issued by the RBI.

Subsequent to the year end but before the approval of the financial statements, the Company has received ₹ 344.80 of the long dues receivable, without any penalty and interest. Considering the subsequent collection without any interest/penalty, the Company is confident that there would not be any financial impact (penalty/interest) regarding the remaining amount of ₹ 171.17 in the financial statements.

8.1 Expected credit loss allowance

Movement in expected credit loss allowance under simplified approach are provided in the table below:

At the beginning of the year	15.66	25.62
Provision made during the year	2.76	1.80
(Utilised) / (reversed) during the year	(15.38)	(11.76)
At the end of the year	3.04	15.66

8.2 Trade receivables ageing schedule

As at March 31, 2023

	Unbilled*	Current but not due	Outstanding for following periods from due date of payment					Total
			Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	
Undisputed trade receivables								
- considered good	47.81	97.15	653.98	2.12	0.76	-	-	801.82
- with significant increase in credit risk	-	-	-	-	-	-	-	-
- credit impaired	-	-	0.82	1.33	0.89	-	-	3.04
Disputed trade receivables								
- considered good	-	-	-	-	-	-	-	-
- with significant increase in credit risk	-	-	-	-	-	-	-	-
- credit impaired	-	-	-	-	-	-	-	-
Total	47.81	97.15	654.80	3.45	1.66	-	-	804.86

As at March 31, 2022

	Unbilled*	Current but not due	Outstanding for following periods from due date of payment					Total
			Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	
Undisputed trade receivables								
- considered good	374.21	62.86	508.98	158.38	42.27	-	-	1,146.70
- with significant increase in credit risk	-	-	-	-	-	-	-	-
- credit impaired	-	-	6.15	2.99	0.22	-	6.30	15.66
Disputed trade receivables								
- considered good	-	-	-	-	-	-	-	-
- with significant increase in credit risk	-	-	-	-	-	-	-	-
- credit impaired	-	-	-	-	-	-	-	-
Total	374.21	62.86	515.13	161.37	42.49	-	6.30	1,162.36

* Unbilled revenue primarily relates to the Company's rights to consideration for work completed but not billed at the reporting date.

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	As at March 31, 2023	As at 31 March 2022
9 Cash and cash equivalents		
a) Balances with banks		
On current accounts	419.74	101.54
	(A) 419.74	101.54
b) Other bank balances		
Margin money deposits*	115.69	156.03
	(B) 115.69	156.03
Disclosed under other non-current financial assets (refer note 6)	(115.69)	(156.03)
	(C) (115.69)	(156.03)
	(A+B+C) 419.74	101.54

*These are lien against short-term borrowings from a bank (refer note 13)

10 Other assets

Non-current

Others (Unsecured, considered good)

Advance towards investment in subsidiary^{1,2}(refer note 32)

1,185.37

-

Deferred contract costs*

0.13

0.34

Total non-current assets

1,185.50

0.34

Current

Unsecured, considered good

Advances other than capital advances

9.02

0.92

Others (Unsecured, considered good)

Deferred contract costs*

0.47

1.49

Deferred expenses**

-

23.21

Prepaid expenses

16.26

13.47

Balance with statutory/ government authorities

2.24

15.23

Total current assets

27.99

54.32

¹During the year ended March 31, 2023, the Board of Directors approved the investments by way of subscription of shares of Capillary Pte. Ltd, Singapore ('CPL') for an amount not exceeding USD 13 million on March 21, 2023, out of which, USD 8 million (₹ 659.28) was advanced to its subsidiary CPL for the purpose of investment, the shares of which were allotted on April 12, 2023.

²During the year ended March 31, 2023, the Board of Directors approved the investments in Capillary Pte. Ltd, Singapore ('CPL') for an amount not exceeding USD 10.42 million on November 18, 2022 by

1) Subscription of shares of CPL in cash amounting USD 4.05 million (₹ 331.56)

2) Capitalisation of export receipts under automatic route amounting USD 6.37 million (₹ 526.22). The Company had filed a Overseas Direct Investment ('ODI') application with Authorised Dealer ('AD') bank dated December 13, 2023 for investment in CPL by capitalization of export receipts. CPL had allotted 489.68 million equity shares at the rate of USD 0.0140 dated December 20, 2022 against the capitalisation of export receipts. However AD bank approval for the said transaction approval have not been received and subsequent on August 04, 2023 the Company with the consent of AD bank has withdrawn the ODI application.

** The Company has incurred an expenditure of ₹ 151.44 and ₹ 148.62 as at March 31, 2023 and March 31, 2022 respectively towards the proposed Initial Public Offer ('IPO') of which ₹ 128.23 (March 31, 2022: ₹ 113.65) being recoverable from the selling shareholder has been recorded under 'Other Financial Assets'. As at March 31, 2022, expenses in connection with the Company's share of the IPO proceeds is deferred until the completion of IPO. Pursuant to the resolution passed in the extra-ordinary general meeting of the Company dated March 24, 2023, the Company has withdrawn/cancelled their proposed IPO plans. During the year, the deferred expenses have to charge to the Standalone Statement of Profit and Loss.

* Deferred contract costs represent commission costs paid to sales team and set out below is the movement in the capitalised contract costs.

	As at March 31, 2023	As at 31 March 2022
Deferred contract costs		
At the beginning of the year	1.83	6.40
Additions during the year	1.50	0.16
Amortised during the year	(2.73)	(4.71)
Other adjustments	-	(0.02)
At the end of the year	0.60	1.83
The same is shown under:		
Current	0.47	1.49
Non-current	0.13	0.34

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11 Equity share capital

	Equity shares		Preference shares	
	Number (in millions)	₹	Number (in millions)	₹
Equity shares of ₹ 2 each				
Preference shares of ₹ 2 each				
<i>Authorised share capital</i>				
As at April 01, 2021	2.50	25.00	-	-
Increase/ (decrease) during the year ^{1,3}	28.50	125.00	0.10	1.00
Adjustment for sub-division of equity shares ²	44.00	-	-	-
As at March 31, 2022	75.00	150.00	0.10	1.00
Increase/ (decrease) during the year	-	-	-	-
As at March 31, 2023	75.00	150.00	0.10	1.00

¹ The authorised share capital of the Company was increased from ₹ 25 i.e. 2.50 million equity shares (par value of ₹ 10 per equity share) to ₹ 110 i.e. 11 million equity shares, each ranking pari passu in all respect with the existing equity shares of the Company during the previous year ended March 31, 2022.

² During the year ended March 31, 2022, pursuant to the approval of the Board of Directors, the Company has split each equity share of the Company having a face value of ₹ 10 per equity share into 5 equity shares having a face value of ₹ 2 per equity share and accordingly the number of shares increased from 11 million to 55 million.

³ Pursuant to the approval of the Board of Directors and as per the applicable provisions of the Act, the authorised share capital of the Company was increased from ₹ 110 i.e. 55 million equity shares of ₹ 2 each to ₹ 150 i.e. 75 million equity shares of ₹ 2 each and 0.10 million preference shares of ₹ 10 each.

(a) Issued share capital

	Equity shares		Equity component of Compulsorily Convertible Preference Shares ('CCPS')	
	Number (in millions)	₹	Number (in millions)	₹
Equity shares of ₹ 2 each (March 31, 2022 : ₹ 2 each) issued, subscribed and fully paid up				
Preference shares of ₹ 10 each issued, subscribed and fully paid up				
As at April 01, 2021	2.33	23.33	-	-
Issuance of share capital ^{1,2,4,5}	0.09	0.90	0.01	0.10
Conversion of CCPS ³	0.02	0.17	(0.01)	(0.10)
Adjustment for sub-division of equity shares ⁶	9.76	-	-	-
Issuance of bonus shares ⁷	37.81	75.63	-	-
As at March 31, 2022	50.01	100.03	-	-
Issuance of share capital ⁸	2.66	5.33	-	-
Issuance of bonus shares ⁹	0.22	0.43	-	-
As at March 31, 2023	52.89	105.79	-	-

¹ Pursuant to the approval of the Board of Directors, the Company approved the allotment of 58,836 equity shares of face value of ₹ 10 each at a price of ₹ 8,840 per equity share (including securities premium of ₹ 8,830 per equity share) for an amount aggregating to ₹ 520.11 to the existing equity share holders of the Company on rights issue basis under the provisions of the Act and all other applicable laws and regulations.

² Pursuant to the approval of the Board of Directors, the Company approved the allotment of 5 equity shares of face value of ₹ 10 each at a price of ₹ 8,840 per equity share (including securities premium of ₹ 8,830 per equity share) for an amount aggregating to ₹ 0.04 on a private placement basis under the provisions of the Act and all other applicable laws and regulations.

³ Pursuant to the approval of Board of Directors, the Company approved the allotment of 14,915 0.01% Compulsorily Convertible Preference Shares ('CCPS') of face value of ₹ 10 each at a price of ₹ 8,840 per CCPS (including securities premium of ₹ 8,830 per CCPS) for an amount aggregating to ₹ 131.87 on a private placement basis under the provisions of the Act and all other applicable laws and regulations. Further, the aforesaid 14,915 CCPS were converted into 17,908 equity shares of face value of ₹ 10 each at a price of ₹ 7,712 per share (including securities premium of 7,702 per share) at the ratio of 1.14626 equity shares for every 1 CCPS held.

⁴ Pursuant to the approval of Board of Directors, the Company approved the allotment of 24,419 equity shares of face value of ₹ 10 each at a price of ₹ 7,712 per equity share (including securities premium of ₹ 7,702 per equity share) for an amount aggregating to ₹ 188.32 on a private placement basis under the provisions of the Act and all other applicable laws and regulations.

⁵ Pursuant to the approval of Board of Directors, the Company approved the allotment of 5,920 equity shares of face value of ₹ 10 each at a price of ₹ 7,712 per equity share (including securities premium of ₹ 7,702 per equity share) for an amount aggregating to ₹ 45.66 on a private placement basis under the provisions of Companies Act, 2013 and all other applicable laws and regulations.

⁶ Pursuant to the approval of the Board of Directors, the Company approved the sub-division of each equity share of the Company having a face value of ₹ 10 each into 5 equity shares having a face value of ₹ 2 each.

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11 Equity share capital (Cont'd)

⁷ Pursuant to the approval of the Board of Directors, the Company approved the bonus issue of 37.81 million equity shares of face value of ₹ 2 each for an amount aggregating to ₹ 75.63 (fully paid-up by way of capitalisation of ₹ 75.63 out of the Company's securities premium account) to the existing equity shareholders of the Company under the provisions of Companies Act, 2013 and all other applicable laws and regulations.

⁸ Pursuant to the approval of the Board of Directors, the Company approved the allotment of 2,664,285 equity shares of face value of ₹ 2 each at a price of ₹ 308 per equity share (including securities premium of ₹ 306 per equity share) for an amount aggregating to ₹ 820.60 on a private placement basis under the provisions of Companies Act, 2013 and all other applicable laws and regulations.

⁹ Pursuant to the approval of Board of Directors, the Company approved the issuance of bonus shares in the proportion of 4.53:1 aggregating to 214,656 equity shares of face value of ₹ 2 each for an amount aggregating to ₹ 0.4 (fully paid-up by way of capitalisation of the Company's securities premium account) to the existing equity shareholders of the Company other than promoters under the provisions of Companies Act, 2013 and all other applicable laws and regulations.

(b) Terms / rights attached to equity shares

The Company got converted into a Public Limited Company after getting approvals from the Registrar of Companies during the year ended March 31, 2022.

The Company has only one class of equity shares having par value of ₹ 2 per share (March 31, 2022: ₹ 2 per share). Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will 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) Terms / rights attached to preference shares

The Company had only one class of preference shares having par value of ₹ 10 per share.

Each compulsorily convertible preference share had a par value of ₹ 10 and was convertible at the option of the Company into equity shares of the Company prior to the expiry of 20 years from the date of such issuance.

CCPS has been converted into equity shares by factoring the post money fair value of the Company at the time of issuance of CCPS. The number of equity shares issued on conversion of the CCPS was calculated on a fully diluted basis after considering the ESOPs granted in a period of 2 months from the date of issuance of CCPS.

The preference shares carried a dividend of 0.01% per annum. Dividend was to be paid as and when it is paid and declared on the equity shares. The dividend rights are non-cumulative. The preference shares rank ahead of the equity shares in the event of a liquidation.

Also refer note 11(a)(3).

(d) 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:-

Name of the shareholder

	As at March 31, 2023	As at March 31, 2022
Capillary Technologies International Pte Ltd, Singapore, the Holding Company¹		
49.04 million equity shares of ₹ 2 each fully paid (March 31, 2022: 49.04 million equity shares of ₹ 2 each)	98.08	98.08

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

<u>Name of the shareholder</u>	March 31, 2023		March 31, 2022	
	No. of shares held (in million)	% holding in the class	No. of shares held (in million)	% holding in the class
Equity shares of ₹ 2 each (March 31, 2023 : ₹ 2 each), fully paid				
Capillary Technologies International Pte Ltd, Singapore, the Holding Company ¹	49.04	92.72%	49.04	98.06%
Avataar Holdings	2.66	5.04%	-	-

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.

¹ Includes 20 share held by Mr. Sridhar Bollam (as a nominee)*

* Pursuant to the circular resolution dated August 20, 2021, the Company had approved the transfer of 1 share held by Mr. Abhijeet Vijayvergiya to Mr. Sridhar Bollam and creation of beneficial interest under Section 89 of the Companies Act, 2013 in favour of the Company.

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11 Equity share capital (Cont'd)

(f) Details of shares held by promoters

Promoter name	No. of shares at the beginning of the year (in millions)	Change during the year	No. of shares at the end of the year (in millions)	% of total shares	% change during the year
Capillary Technologies International Pte Ltd, Singapore					
March 31, 2023	49.04	-	49.04	92.72%	(5.34%)
March 31, 2022	2.33	46.71	49.04	98.06%	(1.94%)

(g) Aggregate number of equity shares issued as bonus, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date:

	As at March 31, 2023	As at March 31, 2022
Equity shares allotted as fully paid bonus shares by capitalisation of securities premium (Number of shares, in millions)	0.21	37.81

(h) Shares reserved for issue under options

For details of shares reserved for issue under the share based payment plan of the Company, please refer note 29.

12 Other equity

	₹
Securities premium	
As at April 01, 2021	949.72
Add: Issuance of share capital (refer note 11(a) ^{1,2,4,5})	753.25
Add: Conversion of CCPS (refer note 11(a) ³)	131.68
Less: Issuance of fully paid bonus shares (refer note 11(a) ⁷)	(75.63)
As at March 31, 2022	1,759.02
Add: Issuance of share capital (refer note 11(a) ⁸)	815.27
Less: Issuance of fully paid bonus shares (refer note 11(a) ⁹)	(0.43)
As at March 31, 2023	2,573.86
Capital contribution from the Holding Company	
As at April 01, 2021	669.36
Employee stock option expenses (refer note 29)	255.59
As at March 31, 2022	924.95
Employee stock option expenses (refer note 29)	-
Corporate Guarantee provided by the Holding Company	3.63
As at March 31, 2023	928.58
Share based payments reserve	
At April 01, 2021	-
Employee stock option expenses (refer note 29)	236.88
Capital contribution in subsidiaries (refer note 5, 29 and 32)	22.29
As at March 31, 2022	259.17
Employee stock option expenses (refer note 29)	601.09
Capital contribution in subsidiaries (refer note 5, 29 and 32)	34.20
Buy-back of employee stock option	(5.87)
As at March 31, 2023	888.59
Retained earnings/(Accumulated deficit)¹	
As at April 01, 2021	(1,315.59)
Loss for the year	(221.58)
Add: Re-measurement gains / (losses) on defined benefit plans	(3.74)
As at March 31, 2022	(1,540.91)
Loss for the year	(900.64)
Add: Re-measurement (losses) / gains on defined benefit plans	(4.92)
As at March 31, 2023	(2,446.47)
Total other equity	
As at March 31, 2022	1,402.23
As at March 31, 2023	1,944.56

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12 Other equity (Cont'd)

¹ The Company has incurred cash losses during the years ended March 31, 2023 and March 31, 2022 which has resulted in substantial erosion of net worth of the Company and as on March 31, 2023, the Company's current liabilities exceed the current assets. Though the net worth 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, one of the investors of the Holding Company has committed to provide financial and operational support to the Company for its continued operations in the foreseeable future. Accordingly, the standalone 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.

Nature and purpose of reserves

12.1 Securities premium

Securities premium is used to record the premium on issue of shares. The reserve can be utilised only for limited purposes such as issuance of bonus shares in accordance with provisions of Section 63 the Companies Act, 2013.

12.2 Capital contribution from the Holding Company

The Company's Holding Company had a share option scheme under which it granted employee stock options to certain employees of the Company without any cross charge. Capital contribution from the Holding Company is used to recognise the value of equity-settled share-based payments provided to employees of the Company, including key management personnel, as part of their remuneration, by the Holding Company. Refer note 25 and 29 for further details.

12.3 Retained earnings/(Accumulated deficit)

Retained earnings represents the profits earned/(losses incurred) till date, less any transfer to General reserve, dividends or other distributions paid to the shareholders.

12.4 Share based payment reserve

The share options-based payment reserve is used to recognise the grant date fair value of options issued to employees of the Company under Employee stock option plan.

	As at	As at
	March 31, 2023	March 31, 2022
13 Borrowings		
Non-current		
Debentures:		
Unlisted, non convertible, redeemable debentures (secured) ⁶	331.52	-
Loan from related party:		
External Commercial Borrowing ('ECB') from Holding Company (unsecured) ³ (refer note 32)	89.61	153.67
Term loan from Body Corporate:		
Indian Rupee term loan from Body Corporate - NBFC (secured) ¹	-	43.50
Total	421.13	197.17
Current		
Current maturities of long-term borrowings:		
Debentures:		
Unlisted, non convertible, redeemable debentures (secured) ⁶	208.86	-
Loan from related party:		
External Commercial Borrowing ('ECB') from Holding Company (unsecured) ³ (refer note 32)	89.61	-
Term loan from Body Corporate:		
Indian Rupee term loans from Body Corporate - NBFC (secured) ¹	36.91	112.62
Short-term borrowings:		
Loan from Body Corporate (unsecured) ⁷	50.48	-
Loan from Body Corporate (secured) ²	253.44	-
Bank overdraft (secured) ^{4,5a}	-	96.75
Working capital loans from a bank (secured) ^{4,5b}	276.37	193.95
Total	915.67	403.32
The above amount includes		
Secured borrowings	1,107.10	446.82
Unsecured borrowings	229.70	153.67

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13 Borrowings (Cont'd)

Interest and security notes to Borrowings:

¹ Indian Rupees term loans from Body Corporate - NBFC carries interest of 14.35% per annum and is payable on a monthly basis in 21 equal instalments. The loan is secured by hypothecation of existing, future, fixed, current and non-current assets, 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 is guaranteed by way of a letter of guarantee from Capillary Technologies International Pte Ltd, Singapore, the Holding Company.

² The Company has entered into a loan agreement dated November 28, 2022 with Gameberry Labs Private Limited for ₹ 250 with interest of 18% per annum payable month and principal repayment within twelve months from the date of disbursement. The loan is secured by hypothecation of existing book debts, accounts receivable, outstanding moneys, claims, demands, bills, contracts, engagements, securities, movable plant and machinery including vehicles, equipments, computers, furniture, appliances, products, machinery spares and stores, tools and accessories, whether installed or not, all intellectual property and intellectual property rights, securities and other sums which are now due and owing or accruing, any and all cash proceeds and/or non cash proceeds of any of the foregoing, including without limitation, insurance proceeds, and all supporting obligations and its security therefore or for any right to payment and any receivables from the assets that are acquired by the Company pursuant to the utilisation of loan amount. The loan is secured by way of a pari pasu first charge over the hypothecated properties, in favour of the Gameberry Labs Private Limited.

³ 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. During the year ended March 31, 2020, the Company had taken loans amounting to USD 2 million 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, 2024 and September 30, 2024 respectively.

⁴ The Company has availed a bank overdraft facility and sales invoice discounting facility and post shipment credit facility carrying interest at REPO as reference rate and Secured Overnight Financing Rate (SOFR) plus 150 basis points per annum, respectively (HDFC Bank). The bank overdraft facility is payable on demand and sales invoice discounting facility is payable in 180 days from the disbursement of the loan. The loans are secured by way of hypothecation of stocks, bills, book debts and receivables and fixed deposits held as margin moneys.

^{5a} Bank overdraft facility from a bank (RBL Bank Ltd) carries interest at 3 months Marginal Cost Lending Rate ('MCLR') plus spread of 0.50% per annum and is payable on demand. This loan is secured by cash margin by way of margin deposits placed under lien in favour of the bank.

^{5b} Working capital loan from a bank on sales invoice discounting carries interest @ 3 months MCLR plus spread of 0.65% per annum and is payable in 3 months from the date of disbursement of loan (RBL Bank Ltd). These loans are secured by way of exclusive charge on the entire receivables of the Company discounted by the bank, first pari-pasu charge on current assets and movable fixed assets (present and future) of the company excluding the receivables discounted by the bank. This loan is also secured by way of corporate guarantee given from Capillary Technologies International Pte Ltd, Singapore, the Holding Company to the extent of ₹ 255

⁶ The Company has entered into debenture trust deed dated March 29, 2023 for issue of 6,000 (six thousand) fully paid, unlisted, secured and redeemable non-convertible debentures (NCD) of face value of ₹ 100,000 each, aggregating to an amount of ₹ 600 for general corporate purposes. As on March 31, 2023 the Company has issued 5,500 fully paid, NCD, on a private placement basis, aggregating to an amount of ₹ 550. The NCD carries fixed coupon rate of 14.5% per annum, payable monthly on first of each month from the date of disbursement. The NCD shall mature on April 01, 2025 and the principal amount of NCD are payable in equal monthly instalment starting from September 01, 2023. The NCD is secured by way of first pari pasu charge on all the existing future, fixed, non-current and current assets, including any and all intellectual property and the intellectual property rights with respect to these movables present and future, accounts, cashflows, receivables, book debts, revenue, equipment, inventory, contract rights or right to payment of money, leases, license agreement, franchise agreements, goodwill, uncalled capital, general intangibles, documents, instruments (including any promissory notes), chattel paper (whether tangible or intangibles), cash, deposit accounts, fixtures, letter of credit rights (whether or not the letter of credit is evidenced by writing) and all other investment property of the Company. The NCD is also secured by way of unconditional and irrevocable corporate guarantee from Capillary Technologies International Pte Ltd, Singapore, the Holding Company.

⁷ The Company has entered into a loan agreement dated October 10, 2022 with Ms. Biotech Private Limited for ₹ 100. The loan is unsecured and is granted at an interest rate of 12.5% per annum payable on a monthly basis on a loan amount upto ₹ 50 and interest rate of 18% on rest of the amount of loan i.e. ₹ 50.

The loan is repayable on written notice of demand but not later than as mentioned below:

Amount	Period of repayment
₹ 50	on or before June 01, 2023
₹ 50	on or before December 31, 2022

⁸ The Company has not been declared willful defaulter by any bank or financial institution or government or any government authority.

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	<u>As at</u> <u>March 31, 2023</u>	<u>As at</u> <u>March 31, 2022</u>
14 Net employee defined benefit liabilities		
Non-current		
Provision for employee benefits:		
Provision for gratuity (refer note 28)	43.24	32.80
	<u>43.24</u>	<u>32.80</u>
Current		
Provision for employee benefits:		
Provision for gratuity (refer note 28)	10.90	7.69
	<u>10.90</u>	<u>7.69</u>
15 Provisions		
Current		
Provision for employee benefits:		
Provision for compensated absences	4.41	20.08
	<u>4.41</u>	<u>20.08</u>
16 Other financial liabilities		
At amortised cost		
Accrued salaries and benefits	61.86	45.91
Payable towards purchase of intellectual property ¹	344.90	-
Interest accrued on borrowings	-	2.97
	<u>406.76</u>	<u>48.88</u>
¹ On February 28, 2023, the Company entered into deed of assignment for purchase of intellectual property from its wholly owned subsidiary, Capillary Technologies Pte. Ltd. amounting to ₹ 344.90.		
17 Other liabilities		
Current		
Contract liabilities - Deferred revenue (refer note 19.2 and 32)	190.71	29.57
Advance from customers	-	1.91
Statutory dues payable	20.26	32.48
	<u>210.97</u>	<u>63.96</u>

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	As at March 31, 2023	As at March 31, 2022
18 Trade payables		
At amortised cost		
Total outstanding dues of:		
Micro enterprises and small enterprises ^{1,2}	28.77	7.68
Other than micro enterprises and small enterprises (refer notes 32) ¹	445.24	354.81
	474.01	362.49
The above amount includes:		
Trade payables to related parties (refer note 32)	245.01	58.35
Trade payables to others	229.00	304.14
	474.01	362.49

¹ Trade payables are non-interest bearing and are normally settled on terms upto 90 days.

² Trade payables include due to suppliers under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act, 2016). 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. The Company has not received any claim for interest from any supplier as at the balance sheet date. 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 disclosure pursuant to the said Act is as under:

Disclosure as per the MSMED Act, 2006

	As at March 31, 2023	As at March 31, 2022
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year:		
- Principal amount due to micro and small enterprises	28.48	7.68
- Interest due on above	0.29	-
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.	0.29	-
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under Section 23 of the MSMED Act, 2006	-	-

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Trade payables (Cont'd)

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Trade payables ageing schedule

As at March 31, 2023

	Unbilled/ Not due	Outstanding for following periods from date of transaction				Total
		Less than 1 year	1-2 years	2-3 years	More than 3 years	
Undisputed dues of:						
-micro enterprises and small enterprises	-	28.47	0.02	-	0.27	28.77
-other than micro enterprises and small enterprises	77.44	285.12	82.09	0.07	0.52	445.24
Disputed dues of:						
-micro enterprises and small enterprises	-	-	-	-	-	-
-other than micro enterprises and small enterprises	-	-	-	-	-	-
	77.44	313.60	82.11	0.07	0.79	474.01

As at March 31, 2022

	Unbilled/ Not due	Outstanding for following periods from date of transaction				Total
		Less than 1 year	1-2 years	2-3 years	More than 3 years	
Undisputed dues of:						
-micro enterprises and small enterprises	-	7.68	-	-	-	7.68
-other than micro enterprises and small enterprises	124.45	225.57	4.79	-	-	354.81
Disputed dues of:						
-micro enterprises and small enterprises	-	-	-	-	-	-
-other than micro enterprises and small enterprises	-	-	-	-	-	-
	124.45	233.25	4.79	-	-	362.49

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Capillary Technologies India Limited
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	For the year ended March 31, 2023	For the year ended March 31, 2022
19 Revenue from operations		
Sale of services		
Service income from group companies (refer note 32)	632.50	959.44
Installation income from external customers	68.86	58.83
Retainership and other services from external customers	497.87	439.23
Income from campaign services	302.06	175.86
Total revenue from operations	1,501.29	1,633.36
India	868.79	673.92
Outside India	632.50	959.44
Total revenue from operations	1,501.29	1,633.36
19.1 Timing of revenue recognition		
Services transferred over time	1,199.23	1,457.50
Services transferred at a point in time	302.06	175.86
	1,501.29	1,633.36
19.2 Contract balances		
Trade receivables (including unbilled revenue):-		
- Current (Gross)	804.86	1,162.36
- Impairment allowance	(3.04)	(15.66)
Contract liabilities:-		
Deferred revenue:		
- Current	190.71	29.57
Advance from customers:		
- Current	-	1.91
	190.71	29.57
<u>Movement in Contract liabilities - Deferred revenue</u>		
Opening balance	29.57	19.00
Add: Revenue to be recognised from performance obligations to be satisfied in succeeding year	190.71	29.57
Less: Revenue recognised that was included in contract liability at the beginning of the year	(29.57)	(19.00)
Closing balance	190.71	29.57
<u>Movement in Advances from customers</u>		
Opening balance	1.91	0.40
Add: Additions during the year	45.18	59.44
Less: Revenue recognised that was included in the beginning of the year	(47.08)	(57.93)
Closing balance	-	1.91
20 Other income		
Provisions/liabilities no longer required written back	2.51	0.61
Provision for doubtful trade receivables and advances, no longer required written back	5.76	-
Gain on account of foreign exchange fluctuations (net)	27.12	3.21
Profit on sale of property, plant and equipments	0.06	-
Interest income on bank deposits	5.42	4.55
Interest income on income tax refund	9.71	-
Interest income on security deposits	-	0.20
Other non-operating income	11.12	0.07
	61.70	8.64

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	For the year ended March 31, 2023	For the year ended March 31, 2022
21 Employee benefit expenses		
Salaries, wages and bonus	816.37	734.45
Contribution to provident funds (refer note 28)	9.94	7.96
Employee stock option expenses (refer note 29)	562.59	332.40
Gratuity expenses (refer note 28)	13.90	10.66
Staff welfare expenses	23.68	24.90
	1,426.48	1,110.37
22 Depreciation and amortisation expenses		
Depreciation of property, plant and equipment (refer note 3)	14.70	8.78
Amortisation of intangible assets (refer note 4)	208.54	1.57
Depreciation of right-of-use assets (refer note 30)	16.84	23.98
	240.08	34.33
23 Finance costs		
Interest on borrowings (refer note 32)	81.61	40.85
Interest on lease liabilities (refer note 30)	3.14	1.98
Interest - others	0.64	1.21
Bank charges	5.21	2.89
	90.60	46.93
24 Other expenses		
Payment to auditors (refer note 24(a))	3.16	1.96
Corporate social responsibility ('CSR') expenditure (refer note 38)	0.23	1.47
Provision for doubtful trade receivables and advances (including bad debts written off)	2.76	1.80
Advances/ deposits written off	-	2.09
Selling and marketing expenses	12.99	18.99
Rates and taxes	8.17	1.60
Software and server charges (refer note 32)	112.30	76.64
Freight charges	11.17	14.17
Directors' sitting fees (refer note 32)	4.30	0.73
Property, plant and equipment written off	-	0.64
Miscellaneous expenses	49.77	28.20
	204.85	148.29
(a) Payment to auditors (exclusive of goods and services tax)		
As auditor:		
Statutory audit	2.50	6.60
Special purpose audit	2.80	-
Reimbursement of expenses	-	0.17
	5.30	6.77
Less: Recoverable from the Holding Company	(2.14)	(4.81)
	3.16	1.96
25 Exceptional items		
Employee stock option expenses (refer note 29) ¹	-	160.07
	-	160.07

¹ During the previous year ended March 31, 2022, the employee stock options granted by the Holding Company to various employees of the Company were cancelled pursuant to the restructuring done by the management as detailed in note 29. The entity had accounted such cancellation as an acceleration of vesting and has recognised immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period.

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26 Income tax

The Company is subject to income tax in India on the basis of Standalone Financial Statements. Business loss can be carried forward for a maximum period of eight assessment years immediately succeeding the assessment year to which the loss pertains. Unabsorbed depreciation can be carried forward for an indefinite period.

	For the year ended March 31, 2023	For the year ended March 31, 2022
Income tax expenses in the Standalone Statement Profit and Loss consist of the following:		
(a) Current tax	-	-
(b) Deferred tax charge/ (credit)*	-	-
	<u>-</u>	<u>-</u>

* Deferred tax is not recognised since it is not probable that the taxable profit will be available against which the unutilised tax losses and temporary differences can be utilised, as assessed at March 31, 2023 and March 31, 2022.

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

Loss before taxes	(900.64)	(221.58)
Applicable tax rates in India	25.17%	25.17%
Computed tax (credit)/charge	(226.67)	(55.77)
Tax effect on losses on which deferred tax has not been accounted	226.67	55.77
Total tax expense	<u>-</u>	<u>-</u>
Income tax reported in the Standalone Statement of Profit and Loss	<u>-</u>	<u>-</u>

Expiration of losses carried forward

	As at March 31, 2023	As at March 31, 2022
March 31, 2024	104.56	104.56
March 31, 2025	191.92	191.92
March 31, 2026	76.98	76.98
March 31, 2030	13.89	-

i) The Company has unabsorbed depreciation loss of ₹ 12.027 which can be carried forward indefinitely

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27 Earnings / (Loss) per share (EPS)

Basic EPS is calculated by dividing the loss for the year attributable to equity shareholders of the Company by the weighted average number of equity shares outstanding during the years. 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 years. The weighted average number of equity shares outstanding during the years 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.

Diluted EPS is calculated by dividing the profit attributable to equity shareholders by the weighted average number of equity shares outstanding during the years plus the weighted average number of equity shares that would be issued on conversion of all the dilutive potential equity shares into equity shares.

Potential ordinary shares are antidilutive when their conversion to ordinary shares would increase earnings per share or decrease loss per share from continuing operations. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential ordinary shares that would have an antidilutive effect on earnings per share

The following table reflects the income and share data used in the basic and diluted EPS computations:

	For the year ended March 31, 2023	For the year ended March 31, 2022
Face value of equity shares (₹ per share)	2.00	2.00
(Loss) attributable to equity shareholders for basic/diluted EPS (₹ in million) (a)	(900.64)	(221.58)
Weighted average number of equity shares used for computing EPS (basic) (in millions) (b)**	50.04	48.90
EPS- Basic (₹) (d=a/b)	(18.00)	(4.53)
EPS- Diluted (₹) (e=a/c)*	(18.00)	(4.53)

*Considering the Company has incurred loss in the year, the effect of dilution on account of shares to be issued as per Capillary Employees Stock Option Scheme' - 2021 ('CESP') has been ignored.

** Also refer note 11

28 Gratuity and other post-employment benefit plans

I) Defined contribution plan

The Company's contribution to provident fund is considered as defined contribution plans. The contributions are charged to the Standalone Statement of Profit and Loss as they accrue. Contributions to provident fund included in employee benefit expenses (refer note 21) are as under:

	For the year ended March 31, 2023	For the year ended March 31, 2022
Contribution to provident fund	9.94	7.96
Total	9.94	7.96

II) Defined benefit plan

Gratuity

The Company operates an unfunded defined benefit gratuity plan for all of its qualifying employees in India. Gratuity is calculated as 15 days' salary for every completed year of service or part thereof in excess of 6 months and is payable on retirement/termination/resignation. The benefit vests on completing 5 years of service by the employee. The Company makes provision of such gratuity liability in the books of account on the basis of actuarial valuation as per projected unit credit method.

The following tables summarise the components of net benefit expenses recognised in the Standalone Statement of Profit or Loss and amounts recognised in the Standalone Balance Sheet for gratuity benefit:

	For the year ended March 31, 2023	For the year ended March 31, 2022
i. Net benefit expenses (recognised in the Standalone Statement of Profit and Loss)		
Current service cost	11.25	8.52
Interest cost on defined benefit obligation	2.65	2.14
Net benefit expenses	13.90	10.66
ii. Remeasurement loss/(gain) recognised in other comprehensive income (OCI):		
Actuarial loss on obligations arising from changes in experience adjustments	5.89	4.97
Actuarial (gain) on obligations arising from changes in financial assumptions	(0.97)	(0.99)
Actuarial (gain) on obligations arising from changes in demographic adjustments	-	(0.24)
Actuarial loss recognised in OCI	4.92	3.74
iii. Net defined benefit (liability)		
Defined benefit obligation	(54.14)	(40.48)
Plan (liability)	(54.14)	(40.48)

28 Gratuity and other post-employment benefit plans (Cont'd)

II) Defined benefit plan - Gratuity (Cont'd)

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

	For the year ended March 31, 2023	For the year ended March 31, 2022
Opening defined benefit obligation	40.48	34.76
Current service cost	11.25	8.52
Interest cost on defined benefit obligation	2.65	2.14
Benefits paid	(5.16)	(8.68)
Actuarial loss on obligations arising from changes in experience adjustments	5.89	4.97
Actuarial (gain) on obligations arising from changes in financial assumptions	(0.97)	(0.99)
Actuarial (gain) on obligations arising from changes in demographic adjustments	-	(0.24)
Closing defined benefit obligation	54.14	40.48

v. The following pay-outs are expected in future years:

Within the next 12 months	11.50	7.68
Between 1 and 2 years	8.87	6.00
Between 2 and 3 years	6.85	4.72
Between 3 and 4 years	5.32	3.63
Between 4 and 5 years	4.18	2.82
Between 6 and 10 years	13.00	8.97
Beyond 10 years	37.47	30.60
Expected cash outflow in future years	87.19	64.42

The average duration of the defined benefit plan obligation at the end of the reporting period is 6.99 years (March 31, 2022: 7.12 years)

vi. The principal assumptions used in determining gratuity obligations for the Company's plan are shown below:

Discount rate (in %)	7.40%	7.02%
Salary escalation rate (in %)	10.00%	10.00%
Employee turnover/ withdrawal rate	30.00%	30.00%
Mortality rate	Indian Assured Lives Mortality (2012-14) Ultimate	Indian Assured Lives Mortality (2012-14) Ultimate

Notes:

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

ii) Plan characteristics and associated risks:

The Gratuity scheme is a Defined Benefit Plan that provides for a lump sum payment made on exit either by way of retirement, death, disability or voluntary withdrawal. The benefits are defined on the basis of final salary and the period of service and paid as lump sum at exit. The Plan design means the risks commonly affecting the liabilities and the financial results are expected to be:

a. Discount rate risk : The defined benefit obligation calculated uses a discount rate based on government bonds. If bond yields fall, the defined benefit obligation will tend to increase

b. Salary inflation risk : Higher than expected increases in salary will increase the defined benefit obligation

c. Demographic risk : This is the risk of variability of results due to unsystematic nature of decrements that include mortality, withdrawal, disability and retirement. The effect of these decrements on the defined benefit obligation is not straight forward and depends upon the combination of salary increase, discount rate and vesting criteria. It is important not to overstate withdrawals because in the financial analysis the retirement benefit of a short career employee typically costs less per year as compared to a long service employee.

vii. A quantitative sensitivity analysis for significant assumptions:

	March 31, 2023	March 31, 2022
Discount rate		
Impact on defined benefit obligation due to 1% increase in discount rate	(2.57)	(1.99)
Impact on defined benefit obligation due to 1% decrease in discount rate	2.86	2.22
Salary escalation rate		
Impact on defined benefit obligation due to 1% increase in salary escalation rate	1.57	1.43
Impact on defined benefit obligation due to 1% decrease in salary escalation rate	(1.62)	(1.37)
Attrition rate		
Impact on defined benefit obligation due to 1% increase in attrition rate	(0.23)	(0.35)
Impact on defined benefit obligation due to 1% decrease in attrition rate	0.21	0.35

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the Standalone Balance Sheet.

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29 Share-based payments

A General Employee Share Option Plan ('GESP') of the Holding Company

The shareholders of the Holding Company had approved the General Employee Share Option Plan (GESP) for the grant of non-transferable options that are settled by physical delivery of the ordinary shares of the Company, subject to certain restrictions, to eligible employees.

Under GESP all employees are entitled to a grant of options once they have been in service and eligible based on conditions determined by the Board. The vesting of the options is prorated over a period of four years. The exercise price of the options is Nil. The contractual life of the options is ten years.

25% of the share options granted on each grant date will vest at the end of one year. Subsequently, 6.25% of the share options granted shall vest at the end of each quarter thereon till all share options are vested. These options expire within 10 years from the date of grant.

At a meeting of the Board of Directors of the Holding Company, 3.22 million options which were granted to various employees of the Holding Company and its subsidiaries on different dates were cancelled as of October 31, 2021. Also refer note 25.

The following table illustrates the number and Weighted Average Exercise Price (WAEP) of, and movements in, GESP plan during the year:

	As on and for the year ended March 31, 2023		As on and for the year ended 31, 2022		March
	No. of options (in millions)	WAEP	No. of options (in millions)	WAEP	
Options outstanding - opening balance	1.79	-	4.30	-	-
Granted during the year	0.00	-	0.59	-	-
Forfeited/lapsed during the year	(0.00)	-	(0.03)	-	-
Cancelled during the year	-	-	(3.07)	-	-
Exercised during the year	-	-	-	-	-
Options outstanding - closing balance	1.79	-	1.79	-	-
Exercisable at the year end	1.79	-	1.79	-	-

The options outstanding as at March 31, 2023 had an exercise price of Nil and the weighted average contractual life of 3.57 years

The fair value of the share options granted under the GESP is estimated at the grant date using Black Scholes method taking into account the terms and conditions upon which the share options were granted.

	March 31, 2023	March 31, 2022
Dividend yield (%)	0%	0%
Expected volatility (%)	31.76%-86.38%	31.76%-86.38%
Risk-free interest rate (% p.a)	1.43%-2.28%	1.43%-2.28%
Expected life of the option (years)	5-7	5-7
Weighted average share price post DLOM and DLOC	USD 1.23-5.45	USD 1.23-5.45

The Holding Company had granted stock options to employees of the Capillary Technologies India Limited (formerly known as Capillary Technologies India Private Limited) under ESOP plans as detailed in note 29(A) above. The Holding Company has an obligation to settle the transaction with the employees of Capillary Technologies India Limited (formerly known as Capillary Technologies India Private Limited) by providing its own equity shares. Therefore, in accordance with Ind AS 102, the Company had measured its expense in accordance with the requirements applicable to equity settled share-based payment transaction

B Capillary Employees Stock Option Scheme' - 2021 ('CESP')

The shareholders of the Company have approved the 'Capillary Employees Stock Option Scheme' - 2021 (CESP). The plan provides for the issue of 7,175,000 options to eligible employees and eligible directors of the Capillary Group. Capillary Group shall mean the Company and its wholly owned subsidiaries, either existing or as may be incorporated from time to time and its Holding Company and any successor company thereof.

The plan is administered by a Board of Directors of the Company /compensation committee/ nomination and remuneration committee constituted by the Board (as the case may be) (Administrator). Under CESP all employees are entitled to a grant of options once they have been in service and eligible based on conditions determined by the Administrator. The exercise price shall be as may be determined by the Administrator at the time of grant of options provided that the exercise price shall not be more than the fair market value of the shares as on the date of grant of options.

There shall be a minimum period of one (1) year between the grant of options and vesting of options, with a maximum period of ten (10) years from the date of grant of such options. Vesting of options would be subject to continued employment with the Company and the options would vest on a quarterly basis. The option grantee may exercise the vested options (whether granted pre-listing or post-listing) within (a) 10 (ten) years from the date of vesting of options, or (b) 12 (twelve) years from the date of listing, whichever is later.

Measurement of fair values

The fair value of the share options granted under the CESP is estimated at the grant date using Black-Scholes method, taking into account the terms and conditions upon which the share options were granted. The model outputs the implied total value of the enterprise when the valuation accounts for all share class rights and preferences, as of the date of the latest financing by the Company.

The following table lists the inputs to the option pricing models for the year ended March 31, 2023 and March 31, 2022 respectively:

	March 31, 2023	March 31, 2022
Dividend yield (%)	0%	0%
Expected volatility (%)	62.40%	33.33%
Risk-free interest rate (% p.a.)	7.27%	6.12% - 6.27%
Expected life of option (years)	5.57 - 6.25	5.57 - 6.00
Weighted average share price as per Pre Discount for Lack of Marketability ("DLOM") & Pre Discount	₹ 376- ₹ 308	₹ 376
Weighted average share price as per Post DLOM & Post DLOC	₹355.96 - ₹ 298.8	₹355.96 - ₹357.39

The expected life of the share options is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

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29 Share-based payments (Cont'd)

Movements during the year

The following table illustrates the number and Weighted Average Exercise Price (WAEP) of, and movements in, CESP plan during the year:

	March 31, 2023		March 31, 2022	
	No. of options (in millions)	WAEP	No. of options (in millions)	WAEP
Options outstanding at the beginning of the year	3.74	0.05	-	-
Granted during the year	0.82	0.73	3.75	0.05
Forfeited / lapsed during the year	(1.49)	-	(0.01)	-
Cancelled due to buyback during the year	(0.02)	-	-	-
Exercised during the year	-	-	-	-
Options outstanding at the end of the year	3.05	0.26	3.74	0.05
Exercisable at year end	1.87		-	

The options outstanding as at March 31, 2023 had an weighted average exercise price of ₹ 0.26 (March 31, 2022 had an exercise price of ₹ 0.05) and the weighted average remaining contractual life of 8.68 years (March 31, 2022: 9.68 years).

C Expense recognised in Standalone Statement of Profit and Loss

The expense recognised for employee services received during the period is shown in the following table :

	For the year ended March 31, 2023	For the year ended March 31, 2022
Expense arising from equity settled share based payment transaction of GESP recognised in Employee benefit expenses (refer note 21)	-	95.52
Expense arising from equity settled share based payment transaction of GESP recognised in Exceptional items (refer note 25)	-	160.07
Expense arising from equity settled share based payment transaction of CESP recognised in Employee benefit expenses (refer note 21)*#	601.09	236.88

* Excludes ₹ 34.20 million (March 31 2022: ₹ 22.29 million) on account of expense arising from equity settled share based payment transaction of CESP recognised in Investments.

#Excludes ₹ 38.82 million on account of expense arising from equity settled share based payment transaction of CESP recognised in internally generated intangible assets

The Company has granted stock options to the employees of Capillary Group under ESOP Plan as detailed in note 29(B) above. The company has an obligation to settle the transaction with the employees of the Capillary group by providing its own equity shares. Therefore, in accordance with Ind AS 102, the Company has measured its expense in accordance with the requirements applicable to equity-settled share-based payment transaction. Further, the Company has recorded capital contribution in group companies with respect to its obligation to settle the transaction with employees of the group companies by providing its own equity shares.

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30 Leases

Company as a lessee

The Company has lease contracts for office facility. The lease term of the office facility is around 2 years. The Company also has certain leases of offices with lease terms of 12 months or less or low value. The Company applies the leases of low value assets and short term leases recognition exemptions for The Company has lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The carrying amounts of right-of-use assets recognised and the movements during the year is as follows:

	Office premises	
	As at March 31, 2023	As at March 31, 2022
Opening balance	29.47	19.77
Additions	-	33.68
Depreciation expenses	(16.84)	(23.98)
Closing balance	12.63	29.47

The carrying amounts of lease liabilities recognised and the movements during the year is as follows:

Opening balance	30.72	6.12
Additions	-	33.68
Accretion of interest	3.14	1.98
Payments	(19.44)	(11.06)
Closing balance	14.42	30.72

The same is shown under:

Current	14.42	19.44
Non-current	-	11.28

The maturity analysis of lease liabilities are disclosed in note 34.

The effective interest rate for lease liabilities is 14.35% (March 31, 2022: 14.35%).

	For the year ended March 31, 2023	For the year ended March 31, 2022
Amounts are recognised in the Standalone Statement of Profit and Loss		
Depreciation expense of right-of-use assets	16.84	23.98
Interest expense on lease liabilities	3.14	1.98
Expense relating to leases of low-value assets/short term leases (included in other expenses)	-	0.15
	19.98	26.11

Amounts recognised in the Standalone Cash Flow Statement

Total outflow for leases - principal	16.30	9.08
Total outflow for leases - interest	3.14	1.98
	19.44	11.06

31 Contingent liabilities

In the ordinary course of business, the Company faces claims and assertions by various parties. The Company assesses such claims and assertions and monitors the legal environment on an ongoing basis with the assistance of external legal counsel, wherever necessary. The Company records a liability for any claims where a potential loss is probable and capable of being estimated and discloses such matters in its Standalone Financial Statements, if material. For potential losses that are considered possible, but not probable, the Company provides disclosure in the Standalone Financial Statements but does not record a liability in its accounts unless the loss becomes probable.

The following is a description of claims and assertions where a potential loss is possible, but not probable. The Company believes that none of the contingencies described below would have a material adverse effect on the Company's financial condition, results of operations or cash flows.

	As at March 31, 2023	As at March 31, 2022
Bank guarantees outstanding	3.91	3.91

(i) The Honourable 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 years, 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.

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32 Related party disclosures

a) Names of the related parties and description of relationship

Nature of relationship	Name of the party
A) Related parties where control exists	
Holding Company	Capillary Technologies International Pte. Ltd., Singapore
Subsidiary Companies	Capillary Pte Ltd., Singapore (incorporated w.e.f. July 21, 2021) Capillary Technologies DMCC, UAE Capillary Technologies (Shanghai) Co. Ltd, China Capillary Technologies (Malaysia) Sdn. Bhd., Malaysia PT Capillary Technologies Indonesia, Indonesia Persuade Holding Inc. (formerly known as 'Persuade Holdings LLC'), USA Capillary Technologies LLC (formerly known as 'Persuade Loyalty LLC'), USA
B) Related parties under common control	
Fellow subsidiaries	Capillary Technologies Inc., USA Capillary Technologies (UK) Limited, United Kingdom Reasoning Global eApplications Private Limited, India
C) Key Management Personnel	
Key managerial personnel (KMP)	Mr. Aneesh Reddy Boddu, Executive director and Chief Executive Officer (upto December 31, 2022) and Managing Director (w.e.f. January 01, 2023) Mr. Sameer Garde, (Independent Director till December 31 2022) Executive Director and CEO w.e.f. January 01, 2023 Mr. Anant Choubey, Executive Director, Chief Operating Officer and Chief Financial Officer (w.e.f. September 02, 2022) Mr. Venkat Ramana Tadanki, Independent Director (Appointed w.e.f. December 10, 2021) Mrs. Neelam Dhawan, Independent Director (Appointed w.e.f. December 10, 2021) Mrs. Yamini Preethi Natti, Independent Director (Appointed w.e.f. December 10, 2021) Mr. Farid Lalji Kazani, Independent Director (Appointed w.e.f. December 10, 2021) Mr. Abhijeet Rajendra Vijayvergiya, Director (Resigned w.e.f. January 02, 2020) Mr. Sridhar Bollam, Director (Resigned w.e.f. December 10, 2021) Mr. Mahendra Chordia, Chief Financial Officer (Appointed w.e.f. August 31, 2021 and resigned w.e.f. May 13, 2022) Mrs. G. Bhargavi Reddy, Company Secretary (Appointed w.e.f. July 14, 2021)
D) Other related parties where transactions have taken place	
Private company in which a director, manager, or relative is a member or director	Biotech Private Limited
Relative of KMP	Mr. Mohan Reddy Boddu, Relative Mr. Aditya Reddy Boddu, Relative Ms. Pavani Reddy Boddu, Relative Mr. Alok Choubey, Relative Mr. Satish Kumar Choubey, Relative Ms. Janaki Munjuluri Rao, Relative

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32 Related party disclosures (contd.)

b) Summary of transactions and outstanding balances with above related parties are as follows:

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
1) Transactions during the year		
a) Service income from group companies		
Capillary Pte Ltd., Singapore	632.50	399.77
Capillary Technologies International Pte. Ltd., Singapore	-	559.67
b) Interest on borrowings		
Capillary Technologies International Pte. Ltd., Singapore	19.19	6.79
Biotech Private Limited	4.93	-
c) Expenditure incurred on behalf of the Company by others		
Capillary Technologies International Pte. Ltd., Singapore	-	30.05
Capillary Pte Ltd., Singapore	146.48	26.18
Capillary Technologies DMCC, UAE	3.78	-
Capillary Technologies LLC	-	0.20
d) Expenditure incurred by the Company on behalf of others		
Capillary Technologies International Pte. Ltd., Singapore	14.33	119.19
Reasoning Global eApplications Private Limited, India	0.12	-
Capillary Technologies LLC, USA	7.61	-
Capillary Pte Ltd., Singapore	0.35	5.46
e) Directors' sitting fees*		
Mr. Venkat Ramana Tadanki	0.90	0.60
Mrs. Neelam Dhawan	1.20	0.70
Mr. Sameer Garde	0.60	0.70
Mrs. Yamini Preethi Natti	0.60	0.40
Mr. Farid Lalji Kazani	1.00	0.70
f) Investment in unquoted equity shares		
Capillary Pte Ltd., Singapore	331.57	937.44
g) Advance towards investment in subsidiary***		
Capillary Pte Ltd., Singapore	659.28	-
h) Capital contribution in subsidiaries		
Capillary Technologies DMCC, UAE	9.95	4.42
Capillary Technologies (Malaysia) Sdn. Bhd., Malaysia	12.83	5.75
Capillary Technologies (Shanghai) Co Ltd., China	-	1.35
PT Capillary Technologies Indonesia	2.09	0.41
Capillary Pte Limited., Singapore	0.51	0.10
Capillary Technologies LLC, USA	10.17	10.26
i) Issuance of equity shares (including securities premium)		
Capillary Technologies International Pte. Ltd., Singapore	-	520.11
Mr. Mohan Reddy Boddu	0.02	15.01
Mr. Anant Choubey	0.02	15.01
Mr. Aditya Reddy Boddu	0.01	7.39
Mr. Mahendra Chordia	0.01	5.01
Ms. Pavani Reddy Boddu	0.00	3.50
Mr. Sridhar Bollam, Director	0.00	3.01
Ms. Janaki Munjuluri Rao (Joint ownership with Mr. Munjaluri Nagabhushana Rao)	0.00	3.01
Mr. Alok Choubey	0.00	2.51
Mr. Sameer Garde	0.00	-
Mr. Satish Kumar Choubey	0.01	2.51
Mrs. Yamini Preethi Natti	0.00	1.50
j) Issuance of preference shares (including securities premium)**		
Mr. Venkat Ramana Tadanki	-	36.80
Mr. Farid Lalji Kazani	-	32.50
Mr. Sameer Garde	-	2.01
Mrs. Neelam Dhawan	-	7.51
k) Corporate guarantees taken from the Holding Company		
Capillary Technologies International Pte. Ltd., Singapore	-	135.00
l) Borrowing from a private company in which a director or relative is member or director		
Biotech Private Limited	100.00	-
m) Repayment of loan to a private company in which a director or relative is member or director		
Biotech Private Limited	50.00	-

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32 Related party disclosures (contd.)

b) Summary of transactions and outstanding balances with above related parties are as follows:

1) Transactions during the year

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
n) Purchase of IP Capillary Pte Ltd., Singapore	344.90	-
o) Loan from director Mr. Aneesh Reddy Boddu	50.00	-
p) Repayment of loan to director Mr. Aneesh Reddy Boddu	50.00	-
r) Other non-operating income Capillary Technologies International Pte. Ltd., Singapore	9.19	-
s) Professional and consultancy expenses Mr. Sameer Garde	4.91	-
t) Remuneration to key managerial personnel and their relatives (including employee stock option expenses)		
Mr. Anant Choubey	72.73	75.20
Mr. Aneesh Reddy Boddu	240.21	124.95
Mr. Mahendra Chordia	2.16	24.02
Mrs. G. Bhargavi Reddy	4.98	3.70
Mr. Sridhar Bollam	-	6.90
Mr. Sameer Garde	10.57	-

* For the year ended March 31, 2022, includes ₹ 2.37 recoverable from Capillary Technologies International Pte. Ltd., Singapore

** These have been converted into equity shares during the previous year. Also refer note 11(3).

*** Advance towards investment in subsidiary exclude USD 6.37 million (₹ 526.22) for capitalisation of export receipts under automatic route. (refer note

2) Outstanding balances as at year end

Particulars	As at March 31, 2023	As at March 31, 2022
a) Trade receivables Capillary Pte Ltd., Singapore (including unbilled revenue of nil and March 31, 2022: ₹ 331.7)	614.49	1,011.94
b) Contract liabilities - Deferred revenue Capillary Pte Ltd., Singapore	161.57	-
c) Other receivables from related parties Capillary Pte Ltd., Singapore	11.90	11.00
Capillary Technologies International Pte. Ltd., Singapore	137.47	113.65
Capillary Technologies LLC	7.44	-
Reasoning Global Eapplications P Ltd	0.12	-
d) External commercial borrowings (including interest accrued) Capillary Technologies International Pte. Ltd., Singapore	179.22	153.67
e) Unsecured loan from body corporate Biotech Private Limited	50.48	-
f) Trade payables Capillary Pte Ltd., Singapore	240.93	58.15
Capillary Technologies DMCC, UAE	4.08	0.20
g) Other financial liabilities Capillary Pte Ltd., Singapore	344.90	-
h) Corporate guarantees taken from the Holding Company Capillary Technologies International Pte. Ltd., Singapore	805.00	255.00

32 Related party disclosures (contd.)

c) Key Managerial Personnel's interests in the share based payments plan:

Share options held by key managerial personnel under the share based payments plan to purchase equity shares are as follows:

Share based payments plan	Exercise price	Number Outstanding (in Million)	
		March 31, 2023	March 31, 2022
General Employee Share Option Plan (GESP) of the Holding Company	-	-	-
Capillary Employees Stock Option Scheme' - 2021 ('CESP')	-	1.65	1.23

No share options have been granted to the non-executive members of the Board of Directors under the share based payments plans of the Holding Company and the Company. Refer to note 29 for further details on the scheme.

Notes:-

1. The transactions with related parties are made by the Company on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year end are unsecured and settlement occurs in cash.
2. As the liability for gratuity and leave encashment is provided on an actuarial basis for the Company as a whole, the amount pertaining to remuneration to the key managerial personnel are not ascertainable and, therefore, not disclosed above.
3. In respect of the transactions with the related parties, the Company has complied with the provisions of Section 188 and Section 177 of the Companies Act, 2013 where applicable, and the details have been disclosed above, as required by the applicable accounting standards.
4. Refer note 13 for borrowings with regard to securities given by the Holding Company for the loan facility availed by the Company.
5. The above information has been determined to the extent such parties have been identified on the basis of information available with the Company.

33 Segment information - Disclosure pursuant to Ind AS 108 'Operating Segments'

Basis of identifying operating segments/reportable segments

Operating segments are identified as those components of the Company (a) that engage in business activities to earn revenues and incur expenses (including transactions with any of the Company's other components); (b) whose operating results are regularly reviewed by the Company's Management Team who are Chief Operating Decision Maker (CODM) to make decisions about resource allocation and performance assessment and (c) for which discrete financial information is available. The accounting policies consistently used in the preparation of the standalone financial statements are also applied to record revenue and expenditure in individual segments. Assets, liabilities, revenues and direct expenses in relation to segments are categorised based on items that are individually identifiable to that segment, while other items, wherever allocable, are apportioned to the segment on an appropriate basis. Certain items are not specifically allocable to individual segments as the underlying services are used interchangeably. The Company therefore believes that it is not practical to provide segment disclosures relating to such items and accordingly such items are separately disclosed as 'unallocated'

Two or more operating segments may be aggregated into a single operating segment if aggregation is consistent with the core principle of Ind AS 108 - 'Operating Segments' i.e. the segments have similar economic characteristics and the segments are similar in the nature of services, type or class of customer for their services etc. CODM evaluates the performance of the Company based on the single operative segment as cloud based intelligent customer engagement software solutions to retail chain operators ('CRM Services'). Therefore, there is only one reportable segment called CRM services in accordance with the requirement of Ind AS 108 "Operating Segments".

The Company has presented segmental information in the consolidated financial statements which are presented in the same annual report. Accordingly, in terms of Paragraph 4 of Ind AS 108 'Operating Segments', no disclosures related to segments are presented in these standalone financial statements.

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34 Financial instruments

This section gives an overview of the significance of financial instruments for the Company and provides additional information on balance sheet items that contain financial instruments.

The details of significant accounting policies, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2.3.(l).

(a) Financial assets and liabilities

The management assessed that cash and bank balances, trade receivables, trade payables, and other current financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. Non-current financial assets and liabilities are discounted using an appropriate discounting rate where the time value of money is material. There are no financial instruments which are measured at fair value through profit and loss or fair value through other comprehensive income as at March 31, 2023 and March 31, 2022.

The following tables presents the carrying value and fair value of each category of financial assets and liabilities as at March 31, 2023 and March 31,

	Carrying and Fair value	
	March 31, 2023	March 31, 2022
Financial assets		
(i) Investments	1,325.50	959.73
(ii) Trade receivables	801.82	1,146.70
(iii) Cash and cash equivalents	419.74	101.54
(iv) Other financial assets	279.83	284.28
Total	2,826.89	2,492.25
Financial liabilities		
(i) Borrowings	1,336.80	600.49
(ii) Trade payables	474.01	362.49
(iii) Lease liabilities	14.42	30.72
(iv) Other financial liabilities	406.76	48.88
Total	2,231.99	1,042.58

(b) Fair Value Hierarchy

Quoted prices in an active market (Level 1): This level of hierarchy includes financial assets that are measured by reference to quoted prices (unadjusted) in active markets for identical assets or liabilities. This category consists of investment in quoted equity shares and mutual fund investments.

Valuation techniques with observable inputs (Level 2): This level of hierarchy includes financial assets and liabilities, measured using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Valuation techniques with significant unobservable inputs (Level 3): This level of hierarchy includes financial assets and liabilities measured using inputs that are not based on observable market data (unobservable inputs). Fair values are determined in whole or in part, using a valuation model based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data

(i) Short-term financial assets and liabilities are stated at carrying value which is approximately equal to their fair value.

(ii) Management uses its best judgement in estimating the fair value of its financial instruments. However, there are inherent limitations in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates presented above are not necessarily indicative of the amounts that the Company could have realised or paid in sale transactions as of respective dates. As such, fair value of financial instruments subsequent to the reporting dates may be different from the amounts reported at each reporting date.

(iii) There have been no transfers between Level 1, Level 2 and Level 3 for the period ended March 31, 2023 and March 31, 2022.

(c) Financial risk management objectives and policies

The Company's principal financial liabilities comprise borrowings and lease liabilities, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include trade receivables, other financial assets and cash and bank balances derived from its operations.

In the course of its business, the Company is exposed primarily to fluctuations in foreign currency exchange rates, interest rates, liquidity and credit risk, which may adversely impact the fair value of its financial instruments. The Company has a risk management policy which not only covers the foreign exchange risks but also other risks associated with the financial assets and liabilities such as interest rate risks and credit risks. The risk management policy is approved by the Board of Directors. The risk management framework aims to:

- (i) create a stable business planning environment by reducing the impact of currency and interest rate fluctuations on the Company's business plan.
- (ii) achieve greater predictability to earnings by determining the financial value of the expected earnings in advance.

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34 Financial instruments (Cont'd)

Market risk

Market risk is the risk of any loss in future earnings, in realisable fair values or in future cash flows that may result from a change in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchange rates, liquidity and other market changes. Future specific market movements cannot be normally predicted with reasonable accuracy.

(1) Market risk- Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's debt obligations with floating interest rates. Thus profits and cash flows from financing activities are dependent on market interest rates. Further, any decline in the credit rating of the Company will have an adverse impact on the interest rates.

The interest rate profile of the Company's interest-bearing financial instruments as reported to the management of the Company is as follows:

	March 31, 2023	March 31, 2022
Fixed rate instruments:		
Financial liabilities	881.21	156.12
Variable rate instruments:		
Financial liabilities	455.59	444.37

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on the portion of loans and borrowings affected. With all other variables held constant, the Company's profit before tax is affected through the impact on floating rate borrowings, as follows:

	Increase/ decrease in basis points	March 31, 2023	March 31, 2022
Interest rate fluctuation	+50	(2.28)	(2.22)
Interest rate fluctuation	-50	2.28	2.22

(2) Market risk- Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating and financing activities. The Company's exposure to foreign currency changes from operating activities is not material.

The following table shows foreign currency exposure at the end of reporting year:

Particulars	March 31, 2023		March 31, 2022	
	Amount in USD (in million)	Amount in ₹ (in million)	Amount in USD (in million)	Amount in ₹ (in million)
Financial assets				
Trade receivables (including Unbilled revenue)	7.48	614.49	13.33	1,011.94
Other receivables from related parties	1.91	156.94	1.64	124.65
Financial liabilities				
Borrowings (including interest accrued on ECB)	2.18	179.22	3.34	253.38
Payable towards capital expenditure	4.20	344.90	-	-
Trade payables	2.98	245.01	0.94	71.61

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in USD exchange rates, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Company's exposure to foreign currency changes for all other currencies is not material.

Particulars	Change in currency	Effect on profit or loss before tax	
		Strengthening	Weakening
March 31, 2023			
USD	5%	0.11	(0.11)
March 31, 2022			
USD	5%	40.58	(40.58)

The sensitivity analysis has been based on the composition of the Company's financial assets and liabilities at March 31, 2023 and March 31, 2022. The year end balances are not necessarily representative of the average debt outstanding during the year.

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34 Financial instruments (Cont'd)

(ii) Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Financial instruments that are subject to credit risk and concentration thereof principally consist of loan receivables, trade receivables, cash and cash equivalents, bank balances and other financial assets of the Company.

The carrying value of financial assets represents the maximum credit risk. The maximum exposure to credit risk was ₹ 3,352.98 (March 31, 2022: ₹ 2,492.25), being the total carrying value of investments, trade receivables, cash and cash equivalents, bank balances and other financial assets of the Company.

Customer credit risk is managed based on the Company's established policy, procedures and control relating to customer credit risk management. An impairment analysis is performed at each reporting date on an individual basis for major customers. The Company does not hold collateral as security. Further, the trade receivable from subsidiary company constitutes approximately 77% of trade receivables as at March 31, 2023 (March 31, 2022: approximately 88%)

With respect to trade receivables, the Company has constituted the terms to review the receivables on periodic basis and to take necessary mitigations, wherever required. The Company creates allowance for unsecured receivables based on historical credit loss experience and is adjusted for forward looking information. The allowance of trade receivables is based on the ageing of the receivables that are due.

Refer note 8.1 for movement in expected credit loss for the years ended March 31, 2023 and March 31, 2022.

Credit risk from balances with bank and financial institutions and in respect to loans and security deposits is managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

(iii) Liquidity risk

Liquidity risk refers to the risk that the Company cannot meet its financial obligations. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements. The Company has obtained fund based working capital limits from a bank. The Company invests its surplus funds in bank fixed deposit, which carry no or low market risk.

The Company monitors its risk of shortage of funds on a regular basis. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, etc. The Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be medium.

The following table shows a maturity analysis of the anticipated cash flows excluding interest obligations for the Company's financial liabilities on an undiscounted basis, which may differ from both carrying value and fair value.

Particulars	0 - 1 years	1 to 5 years	> 5 years	Total
March 31, 2023				
Borrowings (refer note 1)	900.50	413.52	-	1,314.02
Lease liabilities	15.12	-	-	15.12
Trade payables	474.01	-	-	474.01
Other financial liabilities	406.76	-	-	406.76
	1,796.39	413.52	-	2,209.91
March 31, 2022				
Borrowings (refer note 1)	405.20	199.20	-	604.40
Lease liabilities	19.44	15.12	-	34.56
Trade payables	362.49	-	-	362.49
Other financial liabilities	48.88	-	-	48.88
	836.01	214.32	-	1,050.33

Notes:

1. The above disclosure excludes interest to be paid on the borrowings, by the Company.

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35 Capital management

The Company's capital management is intended to create value for shareholders by facilitating the meeting of long-term and short-term goals of the Company.

The Company determines the amount of capital required on the basis of annual business plan coupled with long-term and short-term strategic investment and expansion plans. The funding needs are met through equity, cash generated from operations, long-term and short-term borrowings and support from the Holding Company.

For the purpose of the Company's capital management, capital includes issued equity capital, and all other equity reserves attributable to the equity share holders of the Company.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using a gearing ratio, which is total debt divided by total capital plus total debt. The Company's policy is to keep the gearing ratio at an optimum level to ensure that the debt related covenants are complied with.

Particulars	March 31, 2023	March 31, 2022
Borrowings (refer note 13)	1,336.80	600.49
Less: Cash and cash equivalents (refer note 9)	(419.74)	(101.54)
Total debts (A)	917.06	498.95
Equity share capital (refer note 11)	105.79	100.03
Other equity (refer note 12)	1,944.56	1,402.23
Total capital (B)	2,050.35	1,502.26
Capital and borrowings C= (A+B)	2,967.41	2,001.21
Gearing ratio (%) D= (A/C)	30.90%	24.93%

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings.

No changes were made in the objectives, policies or processes for managing capital during the period and year ended March 31, 2023 and March 31, 2022 respectively.

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37 Ratio analysis

Ratio	Numerator	Denominator	March 31, 2023	March 31, 2022	Variance	Reason
(i) Current ratio	Current assets	Current liabilities	0.69	1.55	-55%	Refer note (a) below
(ii) Debt-equity ratio	Total borrowings	Total equity	0.65	0.40	63%	Refer note (b) below
(iii) Debt service coverage ratio	Earnings for debt service = Net profit after taxes + Non-cash operating expenses + Finance costs	Debt service = Finance costs and Lease Payments + Principal Repayments of borrowings	(2.54)	(1.18)	115.25%	Refer note (c) below
(iv) Return on equity ratio	Net profit after taxes	Average total equity	(0.51)	(0.24)	112.50%	Refer note (c) below
(v) Trade receivable turnover ratio	Revenue from operations	Average trade receivables	1.54	1.94	(20.62%)	Not applicable
(vi) Trade payables turnover ratio	Cost of campaign services + Professional and consultancy services and other expenses	Average trade payables	1.69	2.23	(24.22%)	Not applicable
(vii) Net capital turnover ratio	Revenue from operations	Working capital = Current assets - Current liabilities	(2.41)	3.23	(174.61%)	Refer note (a) below
(viii) Net profit ratio	Net profit after tax	Revenue from operations	(0.60)	(0.14)	328.57%	Refer note (c) below
(ix) Return on capital employed	Earnings before interest and taxes	Capital Employed = Tangible Net Worth + Total Borrowings + Total Lease Liabilities	(0.27)	(0.08)	237.50%	Refer note (c) below

Notes:

- (a) Due to increase in borrowings during the year
(b) The increase is due to the capital raised during the year at premium
(c) Due to losses during the year
(d) Return on investment and inventory turnover ratio are not applicable to the Company

38 Corporate Social Responsibility ('CSR') expenses

	For the year ended March 31, 2023	For the year ended March 31, 2022
(i) amount required to be spent by the Company during the year	0.21	0.81
(ii) amount of expenditure incurred	0.23	1.47
(iii) shortfall/(excess) at the end of the year	(0.02)	(0.66)
(iv) total of previous year's shortfall	-	-
(v) related party transactions	-	-
(vi) movements in provisions for liability created	-	-
(vii) reasons for shortfall	-	-
(viii) nature of CSR activities	Contribution to education and skill development facilities	

39 Business Combinations during the previous year:

(a) Business and Loan Transfer Agreement including Addendum thereto and Gift deeds for transfer of shares of certain subsidiaries between Capillary Technologies International Pte Ltd and Capillary Pte Ltd.

On July 21, 2021, the Holding Company incorporated Capillary Pte Ltd. ("CPL") under the laws of Singapore with 100 equity shares of SGD 0.01 per share. On September 1, 2021, the Company subscribed 1,385,135,135 equity shares of CPL at a fair value of USD 0.0074 per share aggregating to ₹ 750.04 (USD 10.25 million). On October 29, 2021, CPL bought back the shares held by the Holding Company and as a result of such buy back, CPL became wholly owned subsidiary of the Company. On December 28, 2021, the Company further subscribed to 178,571,429 equity shares of CPL at a fair value of USD 0.014 per share aggregating to ₹ 186.72 (USD 2.50 million).

Pursuant to the Business and Loan Transfer Agreement dated November 01, 2021, the Holding Company has transferred the business including transfer of Business Assets and Liability to CPL at a consideration of USD 0.22 million.

Pursuant to the Gift deeds entered by Capillary Technologies International Pte Ltd in favour of Capillary Pte Ltd, Capillary Technologies International Pte. Ltd. voluntarily, unconditionally and irrevocably grants, conveys and assigns to Capillary Pte Ltd, as a gift and for no consideration whatsoever, the entire share capital of the Capillary Technologies (Malaysia) Sdn. Bhd., Malaysia, Capillary Technologies DMCC, UAE, Capillary Technologies (Shanghai) Ltd. Co., People's Republic of China and PT Capillary Technologies Indonesia, Indonesia and all the right, title, interest and benefit therein ("Gift Shares").

(b) Acquisitions during the previous year

On September 01, 2021 (closing date), CPL executed an Acquisition Agreement and acquired 100% membership interest and shareholding of Capillary Technologies LLC, USA (formerly known as Persuade Loyalty LLC) and Persuade Holdings Inc. (formerly known as Persuade Holdings LLC) respectively (collectively "Persuade Group").

Assets acquired

The fair value of identifiable assets and liabilities of Persuade Group are shown below:

	<u>Balance recognised on acquisition</u>
Assets and liabilities	
Intangible assets	471.00
Net tangible assets acquired	44.36
Deferred tax liability on intangibles and present value adjustment on purchase consideration	(129.75)
Goodwill	1,472.72
Purchase Consideration	<u>1,858.33</u>
Purchase Consideration	
Consideration paid upfront in cash	917.89
Deferred Consideration to be paid in cash	138.60
Consideration to be settled by way of stock issue by the Holding Company	801.84
	<u>1,858.33</u>

All other disclosures as required under Ind AS 103 are as follows -

- (i) no contingent liabilities have been recognised.
- (ii) there are no such transactions that are recognized separately from the acquisition of assets and assumption of liabilities in the business combination.
- (iii) the above business combination is a bargain-purchase.
- (iv) the above business combination is not achieved in stages.
- (v) Goodwill is not tax deductible.

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Capillary Technologies India Limited
(formerly known as 'Capillary Technologies India Private Limited')
Notes to the Standalone Financial Statements for the year ended March 31, 2023
(All amounts in Indian Rupees (₹) millions, unless otherwise stated)

40 Other statutory information:

(i) The Company has not advanced or loaned or invested funds to any person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding that the Intermediaries shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by on behalf of the Company ("Ultimate Beneficiaries") or provide any guarantee, or security or the like on behalf of the Ultimate Beneficiaries, except for the following:

Name of the Intermediaries to which funds are advanced	Date of funds advanced	Amount of funds advanced	Date on which funds are invested by Intermediaries to the Ultimate Beneficiaries	Amount of funds further advanced to Ultimate Beneficiaries	Ultimate Beneficiaries
For the year ended March 31, 2022					
Capillary Pte. Ltd., Singapore	September 01, 2021	750.04	September 13, 2021	735.88	Refer note (a) below
			September 16, 2021	0.28	
	December 28, 2021	187.40	December 25, 2021	181.73	
For the year ended March 31, 2023					
Capillary Pte. Ltd., Singapore	March 29, 2023	659.28	March 31, 2023	659.28	Refer note (b) below

The Company has complied with relevant provisions of the Foreign Exchange Management Act, 1999 (42 of 1999) and the Companies Act, 2013 for the above transactions and the transactions are not violative of the Prevention of Money Laundering Act, 2002 (15 of 2003)

Complete details of the Intermediaries and Ultimate Beneficiaries are given below.

Note (a) - Shareholders of Persuade Holdings Inc. (formerly known as 'Persuade Holdings LLC', USA and Capillary Technologies LLC, USA (formerly known as 'Persuade Loyalty LLC') are Ultimate Beneficiaries. Details of Ultimate Beneficiaries are mentioned below.

Ultimate Beneficiaries	Date	Amount	Date	Amount
John Tschida	September 13, 2021	247.06	December 25, 2021	59.84
William Jansen	September 13, 2021	136.58	December 25, 2021	33.29
Edward Bergmark	September 13, 2021	102.77	December 25, 2021	24.51
John O'Neil	September 13, 2021	51.30	December 25, 2021	15.47
Joe Doran	September 13, 2021	51.30	December 25, 2021	15.47
Schoeneckers, Inc.	September 13, 2021	51.63	December 25, 2021	11.60
Chris Montgomery	September 13, 2021	20.52	December 25, 2021	6.18
New Vantage Point, LLC	September 13, 2021	15.54	December 25, 2021	3.57
Justin Richie	September 13, 2021	11.54	December 25, 2021	3.48
Beth Bitney	September 13, 2021	5.13	September 13, 2021	1.55
Dan Young	September 13, 2021	5.13	September 13, 2021	1.40
Rich Blaalid	September 13, 2021	4.87	September 13, 2021	1.47
Wade Kallhoff	September 13, 2021	4.62	December 25, 2021	1.39
Jim Sturm	September 13, 2021	9.99	December 25, 2021	3.01
Kimberly Mosford	September 13, 2021	2.57	December 25, 2021	0.77
Alex Wefel	September 13, 2021	2.57	December 25, 2021	0.77
Brian Olsem	September 13, 2021	2.57	December 25, 2021	0.77
Warren Herreid	September 13, 2021	2.57	December 25, 2021	0.58
Don Smithmier	September 13, 2021	1.28	December 25, 2021	0.39
Ron Drenning	September 13, 2021	1.28	December 25, 2021	0.39
Pat Crews	September 13, 2021	0.64	December 25, 2021	0.19
Robbie Cordo	September 16, 2021	0.28	December 25, 2021	0.06
		731.75		186.14

Capillary Technologies India Limited
(formerly known as 'Capillary Technologies India Private Limited')
Notes to the Standalone Financial Statements for the year ended March 31, 2023
(All amounts in Indian Rupees (₹) millions, unless otherwise stated)

40 Other statutory information (Cont'd):

Note (b) - Capillary Pte. Ltd., has invested in the shares of Capillary Technologies LLC, USA on March 30, 2023, which has further invested in acquisition of Brierley & Partners, Inc., The Ultimate Beneficiaries is Nomura Research Institute Holdings America, Inc.

(ii) The Company has not received funds from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall, whether directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Parties ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries, except for the following:

Name of the Company who has advanced the funds	Date of funds received	Amount of funds received	Date on which funds are further advanced to other intermediary	Amount of funds further advanced to other intermediary	Other intermediary
For the year ended March 31, 2022					
Capillary Technologies International Pte. Ltd	August 31, 2021	520.11	September 01, 2021 December 28, 2021	750.04 187.40	Capillary Pte. Ltd. (Refer note (a) above)
For the year ended March 31, 2023					
Avataar Holdings	March 29, 2023	820.60	March 29, 2023	659.28	Capillary Pte. Ltd. And Capillary Technologies LLC (Refer note (b) above)

Name of the Company who has advanced the funds	Date of funds received	Amount of funds received	Date on which funds are further advanced to Ultimate Beneficiary	Amount of funds further advanced to Ultimate Beneficiary	Ultimate Beneficiary
Gameberry Labs Private Limited	November 29, 2022	250.00	December 02, 2022	230.06	Capillary Pte. Ltd.

Complete details of the Intermediaries and Funding Parties:

Name of the entity	Registered address	Government identification no:	Relationship with the Company
Capillary Pte. Ltd. (Intermediary)	68, Circular Road, # 02-01, Singapore - 049422	202125294W	Subsidiary
Capillary Technologies LLC (Intermediary)	222 N 2ND St Ste 200 Minneapolis, MN, 55401-1494 United	710149300022	Subsidiary
Avataar Holdings (Funding Party)	Lot 15 A3, 1st Floor, Cybercity, Ebene 72201, Mauritius	177534	Shareholder of the
Capillary Technologies International Pte. Ltd. (Funding Party)	68, Raffles Place, 19-00, Singapore Land Tower, Singapore -	201203442K	Holding Company

Capillary Technologies India Limited
(formerly known as 'Capillary Technologies India Private Limited')
Notes to the Standalone Financial Statements for the year ended March 31, 2023
(All amounts in Indian Rupees (₹) millions, unless otherwise stated)

40 Other statutory information (Cont'd):

- (iii) The Company has no such transaction which is not recorded in the books of account that has been surrendered or disclosed as income during the period in the tax assessments under the Income-tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income-tax Act, 1961).
- (iv) The Company does not have any Benami property, where any proceeding has been initiated or pending against the Company for holding any Benami property under the Benami Transactions (Prohibition) Act, 1988 and rules made thereunder.
- (v) The Company does not have any transactions with companies struck off during the year.
- (vi) The Company does not have any charges or satisfaction which is yet to be registered with Registrar of Companies beyond the statutory period other than those disclosed in note 13.
- (vii) The Company has not traded or invested in Crypto currency or Virtual Currency during the year ended March 31, 2023 and March 31, 2022.

41 Events after the reporting period

A Acquisitions after the balance sheet date

Brierley Group

The Company through its subsidiaries has entered into a stock purchase agreement dated March 30, 2023 to acquire 100% equity interest in Brierley & Partners Inc., and Brierley Europe Limited (collectively referred to as "Brierley Group") for a total consideration of USD 10 million, consisting primarily of cash. Brierley Group provides customer relationship management and loyalty products and services, including technology, marketing and strategy to global companies. The Company has obtained control on April 01, 2023 upon satisfaction of customary closing conditions. Consequently the financial Statements of Brierley Group has not been consolidated for these standalone financial statements

Tenerity, LLC

The Company through its subsidiary, Capillary Pte. Ltd. has entered into a asset purchase agreement dated May 4, 2023 to acquire Tenerity's Digital Connect assets for USD 3 million. The Tenerity's Digital Connect assets will drive loyalty management by bridging customer engagement and monetisation.

B Issue of equity shares

The Board of Directors of the Company in their meeting dated June 22, 2023, has approved to offer and allot upto 8.15 million equity shares of face value ₹ 2 and premium of ₹ 306 per equity share on preferential offer in private placement basis. Out of this, 1.35 million equity shares were allotted till the date of issue of these financial statements.

As per our report of even date.

For **Walker Chandiook & Co LLP**
Chartered Accountants
Firm's registration number: 001076N/N500013

For and on behalf of the Board of Directors of
Capillary Technologies India Limited
(formerly known as 'Capillary Technologies India Private Limited')

Aasheesh Arjun Singh
Partner
Membership No: 210122

Place: Bengaluru, India
Date: September 06, 2023

Aneesh Reddy
Managing Director
DIN: 02214511

Anant Choubey
Executive Director, COO & CFO
DIN: 06536413

Place: Bengaluru, India
Date: September 06, 2023

Sameer Garde
Executive Director and CEO
DIN: 06536413

G. Bhargavi Reddy
Company Secretary
Membership No: - A17091

Place: Bengaluru, India
Date: September 06, 2023

Walker Chandiook & Co LLP
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Tech Park, C V Raman Nagar, Bengaluru
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F +91 80 4126 1228

Independent Auditor's Report

To the Members of Capillary Technologies India Limited
(formerly known as Capillary Technologies India Private Limited)

Report on the Audit of the Consolidated Financial Statements

Opinion

1. We have audited the accompanying consolidated financial statements of Capillary Technologies India Limited (formerly known as Capillary Technologies India Private Limited) ('the Holding Company') and its subsidiaries (the Holding Company and its subsidiaries together referred to as 'the Group'), as listed in Annexure 1, which comprise the Consolidated Balance Sheet as at March 31, 2023, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity for the year then ended, and notes to the consolidated financial statements, including a summary of the significant accounting policies and other explanatory information.
2. In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on separate financial statements and on the other financial information of the subsidiaries the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ('the Act') in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards ('Ind AS') specified under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, and other accounting principles generally accepted in India of the consolidated state of affairs of the Group, as at March 31, 2023, their consolidated loss (including other comprehensive income), consolidated cash flows and the consolidated changes in equity for the year ended on that date.

Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing 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 Consolidated Financial Statements section of our report. We are independent of the Group, in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the consolidated 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 together with the audit evidence obtained by the other auditors in terms of their reports referred to in paragraph 11 of the Other Matters section below, is sufficient and appropriate to provide a basis for our opinion.

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Information other than the Consolidated Financial Statements and Auditor's Report thereon

4. The Holding Company's Board of Directors are responsible for the other information. The other information comprises the information included in the Annual's Report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

5. The accompanying consolidated financial statements have been approved by the Holding Company's Board of Directors. The Holding Company's Board of Directors are responsible for the matters stated in Section 134(5) of the Act with respect to the preparation and presentation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated changes in equity and consolidated cash flows of the Group in accordance with the Ind AS specified under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, and other accounting principles generally accepted in India. The Holding Company's Board of Directors are also responsible for ensuring accuracy of records including financial information considered necessary for the preparation of consolidated Ind AS financial statements. Further, in terms of the provisions of the Act the respective Board of Directors of the companies included in the Group, covered under the Act are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. These financial statements have been used for the purpose of preparation of the consolidated financial statements by the Board of Directors of the Holding Company, as aforesaid.
6. In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.
7. Those respective Board of Directors are also responsible for overseeing the financial reporting process of the companies included in the Group.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

8. Our objectives are to obtain reasonable assurance about whether the consolidated 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 Standards on Auditing 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 consolidated financial statements.

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9. As part of an audit in accordance with Standards on Auditing specified under Section 143(10) of the Act we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
- Identify and assess the risks of material misstatement of the consolidated 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 Holding Company has adequate internal financial controls with reference to 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 Board of Directors' 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 ability of the Group 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 Group to cease to continue as a going concern; and
 - 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.
 - Obtain sufficient appropriate audit evidence regarding the financial information/ financial statements of the entities or business activities within the Group, to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of financial statements of such entities included in the financial statements, of which we are the independent auditors. For the other entities included in the financial statements, which have been audited by the other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.
10. 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.

Other Matter

11. We did not audit the financial statements of three subsidiaries, whose financial statements reflect total assets of ₹ 84.01 million and net liabilities of ₹ 121.88 million as at March 31, 2023, total revenues of ₹ 203.34 million and net cash outflows amounting to ₹ 37.43 million for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, and our report in terms of sub-section (3) of Section 143 of the Act in so far as it relates to the aforesaid subsidiaries, are based solely on the reports of the other auditors.

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Further, these subsidiaries, are located outside India whose financial statements and other financial information have been prepared in accordance with accounting principles generally accepted in their respective countries and which have been audited by other auditors under generally accepted auditing standards applicable in their respective countries. The Holding Company's management has converted the financial statements of such subsidiaries, located outside India from accounting principles generally accepted in their respective countries to accounting principles generally accepted in India. We have audited these conversion adjustments made by the Holding Company's management. Our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of such subsidiaries located outside India, is based on the report of other auditors and the conversion adjustments prepared by the management of the Holding Company and audited by us.

Our opinion above on the consolidated financial statements, and our report on other legal and regulatory requirements below, are not modified in respect of the above matters with respect to our reliance on the work done by and the reports of the other auditors.

12. We did not audit the financial information of one subsidiary, whose financial information reflect total assets of ₹ 0.05 million and net assets of ₹ 0.02 million as at March 31, 2023, total revenues of nil and net cash inflows/outflows amounting to nil for the year ended on that date, as considered in the consolidated financial statements. whose financial information has not been audited by us. This financial information is unaudited and has been furnished to us by the management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of the aforesaid subsidiary, is based solely on such unaudited financial information. In our opinion and according to the information and explanations given to us by the management, this financial information is not material to the Group.

Our opinion above on the consolidated financial statements, and our report on other legal and regulatory requirements below, are not modified in respect of the above matter with respect to our reliance on the financial statements/financial information certified by the management.

13. The consolidated financial statements of the Group for the year ended March 31, 2022 were audited by the predecessor auditor, S.R. Batliboi & Associates LLP, who have expressed an unmodified opinion on those consolidated financial statements vide their audit report dated September 13, 2022.

Report on Other Legal and Regulatory Requirements

14. As required by Section 197(16) of the Act based on our audit, we report that the Holding Company, has paid remuneration to their respective directors during the year in accordance with the provisions of and limits laid down under Section 197 read with Schedule V to the Act.
15. As required by clause (xxi) of paragraph 3 of Companies (Auditor's Report) Order, 2020 ('the Order') issued by the Central Government of India in terms of Section 143(11) of the Act based on the consideration of the Order reports issued till date by us, of company included in the consolidated financial statements for the year ended March 31, 2023 and covered under the Act we report that:
- A) Following are the qualifications remarks reported by us in the Order reports of the Company included in the consolidated financial statements for the year ended March 31, 2023 for which such Order reports have been issued till date.:

S No	Name	CIN	Holding Company	Clause number of the CARO report which is qualified or adverse
3 (xxi) of the Order	Capillary Technologies India Limited	U72200KA2012PLC063060	Holding Company	Clause (ix) (d) and (ix)(e)

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16. As required by Section 143(3) of the Act, based on our audit, we report, to the extent applicable, that:
- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated financial statements;
 - b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors except that the back-up of the books of accounts and other books and papers maintained in electronic mode has not been maintained on servers physically located in India, on a daily basis by the Holding Company and subsidiaries.
 - c) The consolidated financial statements dealt with by this report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
 - d) In our opinion, the aforesaid consolidated financial statements comply with Ind AS specified under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015;
 - e) On the basis of the written representations received from the directors of the Holding Company and taken on record by the Board of Directors of the Holding Company and its subsidiary companies, and the reports of the statutory auditors of its subsidiary companies, covered under the Act, none of the directors of the Group companies, are disqualified as on March 31, 2023 from being appointed as a director in terms of Section 164(2) of the Act.
 - f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Holding Company, covered under the Act, and the operating effectiveness of such controls, refer to our separate report in 'Annexure II' wherein we have expressed an unmodified opinion;
 - g) 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. There were no pending litigations as at March 31, 2023 which would impact the consolidated financial position of the Group;
 - ii. The Holding Company and its subsidiary companies did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses as at March 31, 2023;
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company, t, during the year ended March 31, 2023;
 - iv.
 - a. The respective managements of the Holding Company and its subsidiary companies whose financial statements have been audited under the Act have represented to us and the other auditors of such subsidiaries respectively that, to the best of their knowledge and belief, as disclosed in note 39 to the consolidated financial statements, no funds have been advanced or loaned or invested (either from borrowed funds or securities premium or any other sources or kind of funds) by the Holding Company or its subsidiary companies to or in any persons or entities, including foreign entities ('the intermediaries'), with the understanding, whether recorded in writing or otherwise, that the intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Holding Company, or any such subsidiary companies ('the Ultimate Beneficiaries') or provide any guarantee, security or the like on behalf the Ultimate Beneficiaries;

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- b. The respective managements of the Holding Company and its subsidiary companies whose financial statements have been audited under the Act have represented to us and the other auditors of such subsidiaries respectively that, to the best of their knowledge and belief, as disclosed in the note 39 to the accompanying consolidated financial statements, no funds have been received by the Holding Company or its subsidiary companies from any persons or entities, including foreign entities ('the Funding Parties'), with the understanding, whether recorded in writing or otherwise, that the Holding Company, or any such subsidiary companies, shall, whether directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ('Ultimate Beneficiaries') or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and
- c. Based on such audit procedures performed by us and that performed by the auditors of the subsidiaries, as considered reasonable and appropriate in the circumstances, nothing has come to our or other auditors' notice that has caused us or the other auditors to believe that the management representations under sub-clauses (a) and (b) above contain any material misstatement.
- v. The Holding Company and its subsidiary companies have not declared or paid any dividend during the year ended March 31, 2023.
- vi. Proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 requires all companies which use accounting software for maintaining their books of account, to use such an accounting software which has a feature of audit trail, with effect from the financial year beginning on 1 April 2023 and accordingly, reporting under Rule 11(g) of Companies (Audit and Auditors) Rules, 2014 (as amended) is not applicable for the current financial year.

For **Walker Chandiook & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

Aasheesh Arjun Singh
Partner
Membership No.: 210122
UDIN: 23210122BGXATA6836

Bengaluru
September 06, 2023

Walker Chandiook & Co LLP

ANNEXURE 1

List of entities consolidated in the Consolidated Financial statements of Capillary Technologies India Limited for the year ended March 31, 2023

Entity	Country of Incorporation	Relationship
Capillary Pte Ltd	Singapore	Subsidiary company
Capillary Technologies DMCC	Dubai, UAE	Step down subsidiary company
Capillary Technologies LLC (Formerly known as Persuade Loyalty LLC)	USA	Step down subsidiary company
Capillary Technologies (Shanghai) Co. Ltd	China	Step down subsidiary company
PT Capillary Technologies Indonesia	Indonesia	Step down subsidiary company
Persuade Holdings, Inc.	USA	Step down subsidiary company
Capillary Technologies (Malaysia) Sdn. Bhd.	Malaysia	Step down subsidiary company

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Annexure II to the Independent Auditor's Report of even date to the members of Capillary Technologies India Limited (formerly known as Capillary Technologies India Private Limited) on the consolidated financial statements for the year ended March 31, 2023

Independent Auditor's Report on the internal financial controls with reference to consolidated financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')

1. In conjunction with our audit of the consolidated financial statements of Capillary Technologies India Limited (formerly known as Capillary Technologies India Private Limited) ('the Holding Company') and its subsidiaries (the Holding Company and its subsidiaries together referred to as 'the Group'), as at and for the year ended 31 March 2023, we have audited the internal financial controls with reference to financial statements of the Holding Company as at that date.

Responsibilities of Management and Those Charged with Governance for Internal Financial Controls

2. The Board of Directors of the Holding Company, which is a company covered under the Act, are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. 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 the Company's business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility for the Audit of the Internal Financial Controls with Reference to Financial Statements

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

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Annexure II to the Independent Auditor's Report of even date to the members of Capillary Technologies India Limited (formerly known as Capillary Technologies India Private Limited) on the consolidated financial statements for the year ended March 31, 2023

Meaning of Internal Financial Controls with Reference to Financial Statements

6. A company's internal financial controls with reference to 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 financial statements include 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 Financial Statements

7. Because of the inherent limitations of internal financial controls with reference to 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 financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion the Holding Company which is a company covered under the Act, has in all material respects, adequate internal financial controls with reference to financial statements and such controls were operating effectively as at 31 March 2023, based on based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **Walker Chandiook & Co LLP**

Chartered Accountants

Firm's Registration No.: 001076N/N500013

Aasheesh Arjun Singh

Partner

Membership No.: 210122

UDIN: 23210122BGXATA6836

Bengaluru

September 06, 2023

Capillary Technologies India Limited
(formerly known as Capillary Technologies India Private Limited)
Consolidated Balance Sheet as at March 31, 2023
(All amounts in Indian Rupees (₹) millions, unless otherwise stated)

	Note	As at March 31, 2023	As at March 31, 2022
I ASSETS			
(1) Non-current assets			
(a) Property, plant and equipment	3	22.56	25.44
(b) Right-of-use assets	30	18.07	35.84
(c) Goodwill	4, 36(b)	1,472.72	1,472.72
(d) Intangible assets	4	516.06	620.85
(e) Intangible assets under development	4	54.97	3.62
(f) Financial assets			
(i) Other financial assets	6	115.69	156.03
(g) Non-current tax assets	5A	50.53	72.73
(h) Other non-current assets	9	707.26	6.00
		2,957.86	2,393.23
(2) Current assets			
(a) Financial assets			
(i) Trade receivables	7	801.11	569.43
(ii) Cash and cash equivalents	8	462.00	291.94
(iii) Other financial assets	6	159.07	124.86
(b) Other current assets	9	76.08	95.31
		1,498.26	1,081.54
Total assets (1+2)		4,456.12	3,474.77
II EQUITY AND LIABILITIES			
(1) Equity			
(a) Equity share capital	10	105.79	100.03
(b) Other equity	11	1,558.64	1,061.39
Total equity		1,664.43	1,161.42
(2) Non-current liabilities			
(a) Financial liabilities			
(i) Borrowings	12	432.06	253.78
(ii) Lease liabilities	30	2.10	12.41
(iii) Other financial liabilities	16	18.53	-
(b) Net employee defined benefit liabilities	13	43.24	41.28
(c) Deferred tax liabilities	14	55.15	101.22
		551.08	408.69
(3) Current liabilities			
(a) Financial liabilities			
(i) Borrowings	12	1,042.65	535.63
(ii) Lease liabilities	30	17.94	24.57
(iii) Trade payables			
(a) Dues of micro enterprises and small enterprises	18	28.77	7.68
(b) Dues of creditors other than micro enterprises and small enterprises	18	559.80	656.27
(iv) Other financial liabilities	16	130.26	259.83
(b) Net employee defined benefit liabilities	13	21.58	7.68
(c) Provisions	15	10.37	31.46
(d) Other current liabilities	17	428.21	375.96
(e) Liabilities for current tax	5B	1.03	5.58
		2,240.61	1,904.66
Total liabilities (2+3)		2,791.69	2,313.35
Total equity and liabilities (1+2+3)		4,456.12	3,474.77

Summary of significant accounting policies

2

The accompanying notes are an integral part of these Consolidated Financial Statements.

As per our report of even date

For **Walker Chandiok & Co LLP**

Chartered Accountants

ICAI firm registration number: 001076N/N500013

For and on behalf of the Board of Directors of

Capillary Technologies India Limited

(formerly known as Capillary Technologies India Private Limited)

Aasheesh Arjun Singh

Partner

Membership No: 210122

Place: Bengaluru, India

Date: September 06, 2023

Aneesh Reddy Boddu

Managing Director

DIN: 02214511

Sameer Garde

Executive Director and CEO

DIN: 02399137

Anant Choubey

Executive Director, COO & CFO

DIN: 06536413

Place: Bengaluru, India

Date: September 06, 2023

G. Bhargavi Reddy

Company Secretary

Membership Number - A17091

Place: Bengaluru, India

Date: September 06, 2023

Capillary Technologies India Limited
(formerly known as Capillary Technologies India Private Limited)
Consolidated Statement of Profit and Loss for the year ended March 31, 2023
(All amounts in Indian Rupees (₹) millions, unless otherwise stated)

	Note	For the year ended March 31, 2023	For the year ended March 31, 2022
I Income			
Revenue from operations	19	3,226.81	2,230.69
Other income	20	108.81	13.67
Total income		3,335.62	2,244.36
II Expenses			
Cost of campaign services		482.86	393.76
Professional and consultancy expenses		418.22	383.14
Employee benefit expenses	21	2,331.22	1,476.71
Finance costs	22	112.39	87.17
Depreciation and amortisation expenses	23	395.68	287.15
Other expenses	24	636.33	487.52
Total expenses		4,376.71	3,115.45
III Loss before exceptional items and tax (I - II)		(1,041.09)	(871.09)
IV Exceptional items (net)	25	113.82	(160.07)
V Loss before tax (III + IV)		(927.27)	(1,031.16)
VI Tax expenses			
(a) Current tax	26	(4.01)	5.78
(b) Deferred tax (credit)	26	(46.07)	(28.53)
Total tax expenses		(50.08)	(22.75)
VII Loss for the year (V - VI)		(877.19)	(1,008.41)
VIII Other comprehensive income			
Items that will be reclassified to profit or loss in subsequent periods:			
(i) Exchange differences on translation of foreign operations		(61.16)	(5.67)
Items that will not be reclassified to profit or loss in subsequent periods:			
(i) Re-measurement (losses) on defined benefit plan		(4.92)	(3.74)
Total other comprehensive (loss) for the period (net of tax)		(66.08)	(9.41)
IX Total comprehensive loss for the period (net of tax) (VII + VIII)		(943.27)	(1,017.82)
X Loss per equity share (EPS) (face value - ₹ 2 each)			
Basic (₹)	27	(17.53)	(20.62)
Diluted (₹)	27	(17.53)	(20.62)

Summary of significant accounting policies

2

The accompanying notes are an integral part of these Consolidated Financial Statements.

As per our report of even date

For **Walker Chandiook & Co LLP**

Chartered Accountants

ICAI firm registration number: 001076N/N500013

For and on behalf of the Board of Directors of

Capillary Technologies India Limited

(formerly known as Capillary Technologies India Private Limited)

Aasheesh Arjun Singh

Partner

Membership No: 210122

Place: Bengaluru, India

Date: September 06, 2023

Aneesh Reddy Boddu

Managing Director

DIN: 02214511

Anant Choubey

Executive Director, COO &

DIN: 06536413

Place: Bengaluru, India

Date: September 06, 2023

Sameer Garde

Executive Director and CEO

DIN: 02399137

G. Bhargavi Reddy

Company Secretary

Membership Number - A17091

Place: Bengaluru, India

Date: September 06, 2023

Capillary Technologies India Limited
(formerly known as Capillary Technologies India Private Limited)
Consolidated Statement of Changes in Equity for the year ended March 31, 2023
(All amounts in Indian Rupees (₹) millions, unless otherwise stated)

A. Equity share capital*

	Number (in millions)	(₹)
As at April 01, 2021	2.33	23.33
Issuance of share capital (refer notes 10(a) ^{1,2,4,5})	0.09	0.90
Conversion of Compulsorily Convertible Preference Shares (CCPS) (refer note 10(a) ³)	0.02	0.17
Adjustment for sub-division of equity shares (refer note 10(a) ⁶)	9.76	-
Issuance of bonus shares (refer note 10(a) ⁷)	37.81	75.63
As at March 31, 2022	50.01	100.03
Issuance of share capital (refer note 10(a) ⁸)	2.66	5.33
Issuance of bonus shares (refer note 10(a) ⁹)	0.22	0.43
As at March 31, 2023	52.67	105.36

B. Other equity**

	Attributable to the equity shareholders - Reserves and surplus					Capital reserve	Total other equity
	Retained earnings / (Accumulated deficit)	Capital contribution from Ultimate Holding Company	Foreign currency translation difference	Securities premium	Share based payments reserve		
Balance as at April 01, 2021	(2,672.44)	721.96	50.89	949.72	-	1,052.60	102.73
Loss for the year	(1,008.41)	-	-	-	-	-	(1,008.41)
Other comprehensive (loss)/ income for the year (net of taxes)***	(3.74)	-	(5.67)	-	-	-	(9.41)
Issuance of share capital (refer note 10(a) ^{1,2,4,5})	-	-	-	753.25	-	-	753.25
Conversion of CCPS (refer note 10(a) ³)	-	-	-	131.68	-	-	131.68
Issuance of fully paid bonus shares (refer note 10(a) ⁷)	-	-	-	(75.63)	-	-	(75.63)
Employee stock option expenses (refer notes 21, 25 and 29)	-	121.71	-	-	259.17	-	380.88
Exceptional items (refer note 25 and 32)	-	160.07	-	-	-	-	160.07
Professional and consultancy expenses (refer note 32)	-	8.76	-	-	-	-	8.76
Stock options issued on behalf of the Group (refer note 36(b))	-	801.84	-	-	-	-	801.84
Changes in capital reserve pursuant to BLTA (refer note 36(a))	-	-	-	-	-	(199.89)	(199.89)
Changes in capital reserve pursuant to the Gift deeds (refer note 36)	-	-	-	-	-	15.52	15.52
Balance as at March 31, 2022	(3,684.59)	1,814.34	45.22	1,759.02	259.17	868.23	1,061.39
Loss for the year	(877.19)	-	-	-	-	-	(877.19)
Other comprehensive (loss) for the period***	(4.92)	-	(61.16)	-	-	-	(66.08)
Issuance of share capital (refer note 10(a) ^{1,2,4,5})	-	-	-	815.27	-	-	815.27
Issuance of fully paid bonus shares (refer note 10(a) ⁷)	-	-	-	(0.43)	-	-	(0.43)
Employee stock option expenses (refer note 21 and 29)	-	(7.31)	-	-	637.28	-	629.97
Corporate Guarantee (refer note 32)	-	3.63	-	-	-	-	3.63
Buy back of employee stock option (refer note 21 and 29)	-	-	-	-	(7.92)	-	(7.92)
Balance as at March 31, 2023	(4,566.70)	1,810.66	(15.94)	2,573.86	888.53	868.23	1,558.64

*Also refer note 10

**Also refer note 11

***As required under Division II - Ind AS Schedule III, the Group has recognised remeasurement gains/ (losses) of defined benefit plans as part of retained earnings.

Summary of significant accounting policies

2

The accompanying notes are an integral part of these Consolidated Financial Statements.

As per our report of even date

For **Walker Chandiok & Co LLP**

Chartered Accountants

ICAI firm registration number: 001076N/N500013

For and on behalf of the Board of Directors of

Capillary Technologies India Limited

(formerly known as Capillary Technologies India Private Limited)

Aasheesh Arjun Singh

Partner

Membership No: 210122

Place: Bengaluru, India

Date: September 06, 2023

Anesh Reddy Boddu

Managing Director

DIN: 02214511

Anant Choubey

Executive Director, COO & CFO

DIN: 06536413

Place: Bengaluru, India

Date: September 06, 2023

Sameer Garde

Executive Director and CEO

DIN: 02399137

G. Bhargavi Reddy

Company Secretary

Membership Number - A17091

Place: Bengaluru, India

Date: September 06, 2023

Capillary Technologies India Limited
(formerly known as Capillary Technologies India Private Limited)
Consolidated Statement of Cash Flows for the year ended March 31, 2023
(All amounts in Indian Rupees (₹) millions, unless otherwise stated)

	For the year ended March 31, 2023	For the year ended March 31, 2022
A. Cash flow generated from/ (used in) operating activities		
Loss before exceptional items and tax	(1,041.09)	(871.09)
Adjustments to reconcile (loss) before tax to net cash flows		
Depreciation and amortisation expenses	395.68	287.15
Provision for doubtful trade receivables and advances (including bad debts written off)	19.19	12.50
Employee stock option expenses (refer note 21)	591.48	389.64
Advances / deposits written off	-	2.26
Property, plant and equipment written off	-	0.74
Provision / liabilities no longer required, written back	(38.22)	(6.97)
Net foreign exchange differences	48.75	(2.44)
Interest income on bank deposits	(5.44)	(5.10)
Finance costs	102.34	87.17
Operating profit before working capital changes	72.68	(106.14)
Working capital adjustments :		
(Increase) / decrease in trade receivables	(289.29)	94.42
(Increase) in non-current and current other financial and other assets	(16.27)	(148.72)
Increase in trade payables, non-current and current other financial, other liabilities and provisions	10.70	263.57
Cash generated from / (used in) from operations	(222.18)	103.13
Direct taxes (paid) / refund	21.66	(31.54)
Net cash from / (used in) operating activities (A)	(200.52)	71.59
B. Cash flow generated (used in) investing activities		
Purchase of property, plant and equipment, intangible assets and intangible assets under development	(282.06)	(173.30)
Interest income on bank deposits	2.06	4.51
Investment /(withdrawal) of bank deposits	40.34	(67.23)
Adjustment towards acquisition of a subsidiary	(696.59)	(900.57)
Net cash (used in) investing activities (B)	(936.25)	(1,136.59)
C. Cash flow generated from/ (used in) financing activities		
Proceeds from issue of share capital	820.60	886.00
Proceeds from issue of non convertible debentures	544.00	-
Repayment of long-term borrowings	(258.02)	(114.57)
Proceeds from long-term borrowings	-	441.63
Payment of principal and interest portion of lease liabilities	(26.68)	(15.37)
Proceeds/ (repayment) from short-term borrowings (net)	369.16	244.82
Change in capital	-	(428.29)
Finance costs paid	(75.42)	(51.97)
Buy-back of employee stock options	(7.92)	-
Net cash from financing activities (C)	1,365.72	962.25
Net increase / (decrease) in cash and cash equivalents (A+B+C)	228.95	(102.75)
Cash and cash equivalents at the beginning of the year	291.94	385.76
Effect of exchange differences on cash and cash equivalents held in foreign currency	(58.89)	8.93
Cash and cash equivalents at the end of the year	462.00	291.94
Cash and cash equivalents (refer note 8)	462.00	291.94
Cash and cash equivalents at the end of the period	462.00	291.94
Non-cash investing activities		
Acquisition of right-of-use assets (refer note 30)	5.45	40.90

The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in Ind AS 7 on 'Statement of Cash Flows'. The amendment under Ind AS 7 requiring the entities to disclose changes arising from non-cash transactions in addition to changes from financing cash flows is not applicable to the

Capillary Technologies India Limited
(formerly known as Capillary Technologies India Private Limited)
Consolidated Statement of Cash Flows for the year ended March 31, 2023
(All amounts in Indian Rupees (₹) millions, unless otherwise stated)

Explanatory notes to statements of cash flows

Changes in liabilities arising from financing activities

Particulars	Borrowings (refer note 12)	Lease liabilities (including current portion of lease liabilities) (refer note 30)
As at April 01, 2022	789.41	36.98
Cash flow changes		
Repayment of long-term borrowings	(258.02)	-
Proceeds from issue of non convertible debentures	544.00	-
Payment of principal and interest portion of lease liabilities	-	(26.68)
Proceeds/ (repayment) from short-term borrowings (net)	369.16	-
Non-cash changes		
Additions (refer note 30)	-	5.45
Accretion of interest on lease liabilities (refer note 30)	-	3.47
Corporate guarantee	(3.63)	-
Interest on borrowings measured at amortised cost	23.46	-
Foreign exchange fluctuations	10.33	0.82
As at March 31, 2023	1,474.71	20.04
As at April 01, 2021	199.44	8.26
Cash flow changes		
Repayment of long-term borrowings	(114.57)	-
Proceeds from long-term borrowings	441.63	-
Payment of principal and interest portion of lease liabilities	-	(15.37)
Proceeds / (repayment) from short-term borrowings (net)	244.82	-
Non-cash changes		
Adjustment pursuant to acquisition of a subsidiary (refer note 36(b))	-	40.90
Accretion of interest on lease liabilities (refer note 30)	-	1.04
Interest on borrowings measured at amortised cost	6.16	2.15
Foreign exchange fluctuations	11.93	-
As at March 31, 2022	789.41	36.98

The accompanying notes are an integral part of these Consolidated Financial Statements.

As per our report of even date

For **Walker Chandiok & Co LLP**
Chartered Accountants
ICAI firm registration number: 001076N/N500013

For and on behalf of the Board of Directors of
Capillary Technologies India Limited
(formerly known as Capillary Technologies India Private Limited)

Aasheesh Arjun Singh
Partner
Membership No: 210122
Place: Bengaluru, India
Date: September 06, 2023

Aneesh Reddy Boddu
Managing Director
DIN: 02214511
Place: Bengaluru, India
Date: September 06, 2023

Sameer Garde
Executive Director and CEO
DIN: 02399137
Place: Bengaluru, India
Date: September 06, 2023

Anant Choubey
Executive Director, COO & CFO
DIN: 06536413
Place: Bengaluru, India
Date: September 06, 2023

G. Bhargavi Reddy
Company Secretary
Membership Number - A17091
Place: Bengaluru, India
Date: September 06, 2023

Capillary Technologies India Limited (formerly known as 'Capillary Technologies India Private Limited')
Notes to the Consolidated Financial Statements for the year ended March 31, 2023

1. Corporate Information

Capillary Technologies India Limited (formerly known as Capillary Technologies India Private Limited) (“the Company” or “the Parent Company”) is a public limited company domiciled in India and is incorporated under the provisions of the Companies Act applicable in India. The registered office of the Company is located at #36/5, 2nd Floor, Somasandra Palya, adjacent 27th Main Road, Sector 2, HSR Layout, Bengaluru – 560102.

The Company along with its subsidiaries (hereinafter collectively referred to as “the Group”) are primarily engaged in the business of providing cloud based intelligent customer engagement software solutions.

Pursuant to the approval of the Members vide a special resolution dated October 14, 2021 and as per applicable provisions of the Act, the Board of Directors of the Parent Company have approved conversion of the Company from a Private Limited Company to a Public Limited Company and consequently the name of the Company is changed to 'Capillary Technologies India Limited' by amending the Object Clause of Memorandum of Association and adopting the new Articles of Association of the Company. On November 23, 2021, the Company converted into a Public Limited Company.

The Consolidated Financial Statements were approved by the Board of Directors and authorised for issue in accordance with a resolution of the directors of the Parent Company on September 06, 2023.

2. Significant accounting policies

The significant accounting policies applied by the Group in the preparation of its Consolidated Financial Statements are listed below. Such accounting policies have been applied consistently to all the periods presented in these financial statements.

2.1 Basis of preparation

The Consolidated Financial Statements are prepared in accordance with the Indian Accounting Standards (Ind As) as prescribed under Section 133 of the Companies Act, 2013 read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 (as amended) and other relevant provision of the Companies Act, 2013, as applicable.

The Consolidated Financial Statements have been prepared by the Group as a going concern on the basis of relevant Ind AS that are effective as at March 31, 2023.

The Consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities, (refer accounting policy regarding financial instruments) which have been measured at fair value.

These Consolidated financial statements are presented in ₹ and all values are rounded to the nearest millions (₹ 000,000), except when otherwise indicated.

2.2. Basis of Consolidation

The Consolidated Financial Statements comprise the financial statements of the Group and its subsidiaries as at March 31, 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- ▶ Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- ▶ Exposure, or rights, to variable returns from its involvement with the investee, and
- ▶ The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- ▶ The contractual arrangement with the other vote holders of the investee
- ▶ Rights arising from other contractual arrangements
- ▶ The Group’s voting rights and potential voting rights
- ▶ The size of the Group’s holding of voting rights relative to the size and dispersion of the holdings of the other voting rights holders

2.2. Basis of Consolidation (cont'd)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Financial Statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Consolidated Financial Statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. If a member of the Group uses accounting policies other than those adopted in the Consolidated Financial Statements for like transactions and events in similar circumstances, appropriate adjustments are made to that Group member's financial statements in preparing the Consolidated Financial Statements to ensure conformity with the Group's accounting policies.

The financial statements of all entities used for the purpose of consolidation are drawn up to same reporting date as that of the Parent Company, i.e., period ended on March 31. When the end of the reporting period of the Parent Company is different from that of a subsidiary, the subsidiary prepares, for consolidation purposes, additional financial information as of the same date as the financial statements of the Parent Company to enable the Parent Company to consolidate the financial information of the subsidiary, unless it is impracticable to do so.

Consolidation procedure:

- (a) Combine like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiaries. For this purpose, income and expenses of the subsidiary are based on the amounts of the assets and liabilities recognised in the Consolidated Financial Statements at the acquisition date.
- (b) Offset (eliminate) the carrying amount of the parent's investment in each subsidiary and the Parent Company's portion of equity of each subsidiary. Business combinations policy explains how to account for any related goodwill.
- (c) Eliminate in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group (profits or losses resulting from intragroup transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full). Intragroup losses may indicate an impairment that requires recognition in the Consolidated Financial Statements. Ind AS 12 Income Taxes applies to temporary differences that arise from the elimination of profits and losses resulting from intragroup transactions.
- (d) Non-controlling interest represents that part of the total comprehensive income and net assets of subsidiaries attributable to interests which are not owned, directly or indirectly, by the Parent Company.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- ▶ Derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost
- ▶ Derecognises the carrying amount of any non-controlling interests
- ▶ Derecognises the cumulative translation differences recorded in equity
- ▶ Recognises the fair value of the consideration received
- ▶ Recognises the fair value of any investment retained
- ▶ Recognises any surplus or deficit in profit or loss
- ▶ Recognise that distribution of shares of subsidiary to Group in Group's capacity as owners
- ▶ Reclassifies the Parent Company's share of components previously recognised in OCI to profit or loss or transferred directly to retained earnings, if required by other Ind ASs as would be required if the Group had directly disposed of the related assets or liabilities.

2.3 Summary of significant accounting policies

a. Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognised at their acquisition date fair values. For this purpose, the liabilities assumed include contingent liabilities representing present obligation and they are measured at their acquisition fair values irrespective of the fact that outflow of resources embodying economic benefits is not probable. However, the following assets and liabilities acquired in a business combination are measured at the basis indicated below:

- ▶ Deferred tax assets or liabilities, and the assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with Ind AS 12 Income Tax and Ind AS 19 Employee Benefits respectively.
- ▶ Potential tax effects of temporary differences and carry forwards of an acquiree that exist at the acquisition date or arise as a result of the acquisition are accounted in accordance with Ind AS 12.
- ▶ Liabilities or equity instruments related to share based payment arrangements of the acquiree or share – based payments arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with Ind AS 102 Share-based Payments at the acquisition date.
- ▶ Assets (or disposal groups) that are classified as held for sale in accordance with Ind AS 105 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.
- ▶ Reacquired rights are measured at a value determined on the basis of the remaining contractual term of the related contract. Such valuation does not consider potential renewal of the reacquired right.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss or OCI, as appropriate.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of Ind AS 109 Financial Instruments, is measured at fair value with changes in fair value recognised in profit or loss in accordance with Ind AS 109. If the contingent consideration is not within the scope of Ind AS 109, it is measured in accordance with the appropriate Ind AS and shall be recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and subsequent its settlement is accounted for within equity.

Business combinations arising from transfers of interests in entities that are under the common control are accounted using pooling of interest method. The difference between any consideration given and the aggregate historical carrying amounts of assets and liabilities of the acquired entity are recorded in shareholders' equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in OCI and accumulated in equity as capital reserve. However, if there is no clear evidence of bargain purchase, the Group recognises the gain directly in equity as capital reserve, without routing the same through OCI.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

a. Business combinations and goodwill (cont'd)

A cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted through goodwill during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date. These adjustments are called as measurement period adjustments. The measurement period does not exceed one year from the acquisition date.

b. Current versus non-current classification

The Group presents assets and liabilities in the consolidated balance sheet based on current/ non-current classification. An asset is treated as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Advance tax paid is classified as non-current assets.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents.

c. Fair value measurement

The Group measures financial instruments at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Consolidated Financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Consolidated Financial Statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

This note summarises accounting policy for fair value. Other fair value related disclosures are given in the relevant notes.

- ▶ Disclosures for valuation methods, significant estimates and assumptions
- ▶ Quantitative disclosures of fair value measurement hierarchy
- ▶ Financial instruments (including those carried at amortised cost)

d. Revenue recognition

Revenue from operations is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, except for the agency services below, because it typically controls the goods or services before transferring them to the customer.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

The specific recognition criteria described below must be met before revenue is recognised:

Income from services

(i) Retainer services

The Group is engaged in the business of providing cloud based intelligent customer engagement software solutions to retail chain operators. Revenue is recognized over the period as and when services are rendered in accordance with the arrangement with the customers.

(ii) Campaign services

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

d. Revenue recognition (cont'd)

(iii) Installation services

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

In contracts with customers where the retainership, campaign services and installation services are bundled together, the Group has applied the guidance in IndAS 115 by applying the revenue recognition criteria for each distinct performance obligation. For allocating the transaction price, the Group has measured the revenue in respect of each performance obligation of a contract and its relative standalone selling price. The price that is regularly charged for an item when sold separately is the best evidence of its standalone selling price. In cases where the Group is unable to determine the standalone selling price, the Group uses the expected cost plus margin approach in estimating the standalone selling price.

The Group has assessed its revenue arrangements based on the substance of the transaction and business model against specific criteria to determine if its is acting as principal or agent.

Other income

(i) Interest income

For all financial instruments measured either at amortised cost or at fair value through other comprehensive income, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Group estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses. Interest income is included in finance income in the Consolidated Statement of Profit and Loss.

(ii) Dividend income

Dividend income is recognized when the right to receive payment is established, which is generally when shareholders approve the dividend, provided it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be measured reliably.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are transferred to receivables when the rights become unconditional and contract liabilities are recognized as and when the performance obligation is satisfied.

Contract assets are subject to impairment assessment. Refer to accounting policies on impairment of financial assets in section (m) Financial instruments – initial recognition and subsequent measurement below

Trade receivables

A receivable is recognised if an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section (m) Financial instruments – initial recognition and subsequent measurement below

Deferred contract costs

Deferred contract costs are incremental costs that are associated with acquiring customer contracts and consists primarily of sales commissions to employees and certain referral fees paid to third-party resellers. Incremental costs of obtaining a contract are capitalised if these costs are recoverable. Costs to fulfil a contract are capitalised if the costs relate directly to the contract, generate or enhance resources used in satisfying the contract and are expected to be recovered. Other contract costs are expensed as incurred.

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue. An impairment loss is recognised in profit or loss to the extent that the carrying amount of the capitalised contract costs exceeds the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the contract costs relates less the costs that relate directly to providing the goods and that have not been recognised as expenses. The maximum period over which the Group expects to derive benefit from contracts entered into with customers is 3 years. The Group has elected to apply the practical expedient to recognise the incremental costs of obtaining a contract as an expense when incurred where the amortisation period of the asset that would otherwise be recognised is over year or less.

Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

e. Taxes on income

Current income tax

Tax expense for the period comprises current and deferred tax. The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the Consolidated Statement of Profit and Loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The Group's liability for current tax is calculated using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group shall reflect the effect of uncertainty for each uncertain tax treatment by using either most likely method or expected value method, depending on which method predicts better resolution of the treatment.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying values of assets and liabilities in the Consolidated Financial Statements and the corresponding tax bases used in the computation of the taxable profit and is accounted for using the liability model. Deferred tax liabilities are generally recognised for all the taxable temporary differences. In contrast, deferred tax assets are only recognised to the extent that is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

f. Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognised in profit or loss as incurred.

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

The Group identifies and determines cost of each component/ part of the asset separately, if the component/ part has a cost which is significant to the total cost of the asset having useful life that is materially different from that of the remaining asset. These components are depreciated over their useful lives; the remaining asset is depreciated over the life of the principal asset.

f. Property, plant and equipment (cont'd)

Depreciation is calculated on a written down value over the estimated useful lives of the assets as follows:

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

Leasehold improvements are depreciated over the period of lease or estimated useful life, whichever is lower, on straight line basis

The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Consolidated Statement of Profit and Loss when the asset is derecognised.

g. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period with the effect of any change in the estimate being accounted for on a prospective basis. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit and loss unless such expenditure forms part of carrying value of another asset.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit and loss. when the asset is derecognised.

Intellectual property rights and customer relationships

Intellectual property rights and customer relationships acquired on the acquisition of a subsidiary are measured initially on the basis of fair valuation determined in the Purchase Price Allocation as determined by an independent valuer. Following initial recognition, these intangibles are carried at the initial recognition value less accumulated amortisation and accumulated impairment losses, if any.

Patents

Patents and licenses are measured on initial recognition at professional charges incurred on registration of such patents in connection with the Group customer servicing methodology and if the registration of the patent is under progress, the same is recognised as Intangible assets under development.

g. Intangible assets (cont'd)

Internally generated intangible assets

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the profit or loss in the year in which the expenditure is incurred.

Software product development are expensed as incurred unless technical and commercial feasibility of the project is demonstrated, future economic benefits are probable, the Group has an intention and ability to complete and use or sell the software and the cost can be measured reliably. The costs which can be capitalised including the cost of employees and overhead costs that are directly attributable to preparing the asset for its intended use.

The Group has identified certain intangibles which are being internally generated. In the research phase of an internal project, an entity cannot demonstrate that an intangible asset exists that will generate probable future economic benefits. Therefore, this expenditure is recognised as an expense when it is incurred. An intangible asset arising from development (or from the development phase of an internal project) shall be recognised if, and only if, an entity can demonstrate all of the following:

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- (b) its intention to complete the intangible asset and use or sell it.
- (c) its ability to use or sell the intangible asset.
- (d) how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- (f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

The Group had completed the research and acceptance phase and the projects are in the development phase. The Group has done evaluation of the internally generated software and concluded on being treated as intangible assets. Refer note 4 for further disclosure.

Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit from the related project. Amortisation expense is recognised in the Consolidated Statement of Profit and Loss unless such expenditure forms part of carrying value of another asset.

Goodwill

Goodwill (i.e. intangible assets with indefinite useful lives) are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Amortisation is calculated on a written down value basis over the estimated useful lives of the assets as follows:

Sl. No.	Block	Useful lives estimated by the management (in years)
1	Computer software	5
2	Intellectual property rights and customer relationships	2 to 6
3	Patents	1 to 3
4	Internally generated intangible assets	3

h. Borrowing costs

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 capitalised as part of the cost of the asset until such time as the assets are substantially ready for the intended use or sale. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs

i. Leases

The Group has lease contracts for office spaces. The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and accumulated impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies stated under 'Impairment of non-financial assets'.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

j. Impairment of non-financial assets

As at the end of each accounting year, the Group reviews the carrying amounts of its property plant and equipment and intangible assets determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the said assets are tested for impairment so as to determine the impairment loss, if any. Intangible assets with indefinite life are tested for impairment each year.

Impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is determined:

- (i) in the case of an individual asset, at the higher of the fair value less costs of disposal and the value in use; and
- (ii) in the case of a cash generating unit (CGU) (a group of assets that generates identified, independent cash flows), at the higher of the cash generating unit's net fair value less costs of disposal and the value in use.

The amount of value in use is determined as the present value of estimated future cash flows from the continuing use of an asset and from its disposal at the end of its useful life. For this purpose, the discount rate (pre-tax) is determined based on the weighted average cost of capital of the Group suitably adjusted for risks specified to the estimated cash flows of the asset.

For this purpose, a cash generating unit is ascertained as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

j. Impairment of non-financial assets (cont'd)

If recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, such deficit is recognised immediately in the Consolidated Statement of Profit and Loss as impairment loss and the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. For this purpose, the impairment loss recognised in respect of a cash generating unit is allocated first to reduce the carrying amount of any goodwill allocated to such cash generating unit and then to reduce the carrying amount of the other assets of the cash generating unit on a pro-rata basis.

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 assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. To estimate cash flow projections beyond periods covered by the most recent budgets/forecasts, the Group extrapolates cash flow projections in the budget using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. In any case, this growth rate does not exceed the long-term average growth rate for the products, industries, or country in which the Group operates, or for the market in which the asset is used.

Impairment losses are recognised in the Consolidated Statement of Profit and Loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the Consolidated Statement of Profit and Loss

k. Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a 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. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the Consolidated Statement of Profit and Loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

If the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognises any impairment loss that has occurred on assets dedicated to that contract.

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The cost of fulfilling a contract comprises the costs that relate directly to the contract (i.e., both incremental costs and an allocation of costs directly related to contract activities).

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 Group 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 Group does not recognize a contingent liability but discloses its existence in the Consolidated Financial Statements.

Provisions and contingent liability are reviewed at each balance sheet.

In respect of financial guarantees provided by the Group to third parties, the Group considers that it is more likely than not that such an amount will not be payable under the guarantees provided.

I. Retirement and other employee benefits

Short-term employee benefits

All employee benefits expected to be settled wholly within twelve months of rendering the service are classified as short-term employee benefits. When an employee has rendered service to the Group during an accounting period, the Group recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as an expense unless another Ind AS requires or permits the inclusion of the benefits in the cost of an asset. Benefits such as salaries, wages and short-term compensated absences, bonus and ex-gratia etc. are recognised in Statement of Profit and Loss in the period in which the employee renders the related service.

Defined contribution plans

Eligible employees of the Group in the United States participate in a savings plan under Section 401(k) ("Plan") of the United States Internal Revenue Code (the "Code"). The Plan allows employees to defer a portion of their annual earnings on a pre-tax basis through voluntary contributions to the Plan. The Group has a 401(k) plan that provides defined contribution retirement benefits for all the employees in the United States.

Eligible employees of the Group in India, Singapore, Indonesia and Malaysia participate in a defined contribution plan (Provident Fund, Social Security, Indonesia and Malaysia respectively) in accordance with the regulatory requirements in the respective jurisdictions. Both the employee and the relevant Company in the Group contribute to the fund at a specified percentage of the employee's salary

The Group has no further obligation under defined contribution plans beyond the contributions made under these plans.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group has an obligation towards gratuity, a defined benefit retirement plan covering eligible employees. The plan provides for a lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount based on the respective employee's salary and the tenure of employment. The Group accounts for the liability for gratuity benefits payable in future based on an independent actuarial valuation report using the projected unit credit method as at the year end.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the Consolidated Balance Sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- a) The date of the plan amendment or curtailment, and
- b) The date that the Parent Company recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation as an expense in the Consolidated Statement of Profit and loss

- a) Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- b) Net interest expense or income.

m. Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contract embodying the related financial instruments. All financial assets, financial liabilities and financial guarantee contracts are initially measured at transaction cost and where such values are different from the fair value, at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the fair value measured on initial recognition of financial asset or financial liability. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit and loss are immediately recognised in the Consolidated Statement of Profit and Loss.

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price as disclosed under revenue recognition policy.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

m. Financial instruments (cont'd)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period.

(i) Financial assets

Financial assets at amortised cost

Financial assets are subsequently measured at amortised cost if these financial assets are held within a business model whose objective is to hold these assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at fair value

Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business model whose objective is to hold these assets in order to collect contractual cash flows and to sell these financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial asset not measured at amortised cost or at fair value through other comprehensive income is carried at fair value through the Consolidated Statement of Profit and Loss.

For financial assets maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

Impairment of financial assets

Loss allowance for expected credit losses is recognised for financial assets measured at amortised cost and fair value through the Consolidated Statement of Profit and Loss.

The Group recognises impairment loss on trade receivables using expected credit loss model, which involves use of provision matrix constructed on the basis of historical credit loss experience as permitted under Ind AS 109 – Financial Instruments.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

For financial assets whose credit risk has not significantly increased since initial recognition, loss allowance equal to twelve months expected credit losses is recognised. Loss allowance equal to the lifetime expected credit losses is recognised if the credit risk on the financial instruments has significantly increased since initial recognition.

For financial assets maturing within one year from the balance sheet date, the carrying amounts approximates fair value due to the short maturity of these instruments.

De-recognition of financial assets

The Group de-recognises a financial asset only when the contractual rights to the cash flows from the financial asset expire, or it transfers the financial asset and the transfer qualifies for de-recognition under Ind AS 109.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the assets and an associated liability for amounts it may have to pay.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On de-recognition of a financial asset in its entirety, the difference between the carrying amount measured at the date of de-recognition and the consideration received is recognised in Consolidated Statement of Profit or Loss.

(ii) Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method where the time value of money is significant. Interest bearing bank loans, overdrafts and issued debt are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in the consolidated Statement of Profit and Loss.

For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

b) De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated Statement of Profit and loss.

Off-setting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Consolidated Balance Sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

n. Segment reporting

Operating segments are identified as those components of the Group (a) that engage in business activities to earn revenues and incur expenses (including transactions with any of the Group's other components); (b) whose operating results are regularly reviewed by the Group's Chief Operating Decision Maker (CODM) to make decisions about resource allocation and performance assessment and (c) for which discrete financial information is available. The accounting policies consistently used in the preparation of Consolidated Financial Statements are also applied to record revenue and expenditure in individual segments. Assets, liabilities, revenues and direct expenses in relation to segments are categorised based on items that are individually identifiable to that segment, while other items, wherever allocable, are apportioned to the segment on an appropriate basis. Certain items are not specifically allocable to individual segments as the underlying services are used interchangeably. The Group therefore believes that it is not practical to provide segment disclosures relating to such items and accordingly such items are separately disclosed as 'unallocated'

An operating segment is classified as reportable segment if reported revenue (including inter-segment revenue) or absolute amount of result or assets exceed 10% or more of the combined total of all the operating segments.

CODM evaluates the performance of the Group based on the single operative segment as cloud based intelligent customer engagement software solutions to retail chain operators. Therefore, there is only one reportable segment called CRM services in accordance with the requirement of Ind AS 108 "Operating Segments".

o. Cash and cash equivalents

Cash and cash equivalent in the Consolidated Balance Sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value.

p. Share-based payments

Certain employees of the Group are entitled to share-based payments, whereby employees render services as consideration for equity instruments of the holding Group (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate Black-Scholes valuation model.

That cost is recognised, together with a corresponding increase in capital contribution from the parent reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the consolidated Ind AS statement of profit and loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the Group or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

q. Foreign currencies

The Group's Consolidated Financial Statements are presented in ₹, which is also the Parent Company's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. However, for practical reasons, the Group uses an average rate if the average approximates the actual rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Exchange differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of the following:

- ▶ Exchange differences arising on monetary items that forms part of a reporting entity's net investment in a foreign operation are recognised in profit or loss in the separate financial statements of the reporting entity or the individual financial statements of the foreign operation, as appropriate. In the financial statements that include the foreign operation and the reporting entity (e.g., Consolidated Financial Statements when the foreign operation is a subsidiary), such exchange differences are recognised initially in OCI. These exchange differences are reclassified from equity to profit or loss on disposal of the net investment.
- ▶ Exchange differences arising on monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss.
- ▶ Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in

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line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

Translations

On consolidation, the assets and liabilities of foreign operations are translated into ₹ at the rate of exchange prevailing at the reporting date and their statements of profit and loss are translated at exchange rates prevailing at the dates of the transactions. For practical reasons, the Group uses an average rate to translate income and expense items, if the average rate approximates the exchange rates at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in the Consolidated Statement of Profit and Loss.

Any goodwill arising in the acquisition/ business combination of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Gain or loss on a subsequent disposal of any foreign operation excludes translation differences that arose before the date of transition but includes only translation differences arising after the transition date.

r. Corporate social responsibility ('CSR') expenditure

The Group charges its CSR expenditure during the year to the Consolidated Statement of Profit and Loss.

s. Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders of the Parent Company 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 are 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 of the Parent Company and the weighted average number of shares outstanding during the period are adjusted for the effects of all potential dilutive equity shares.

t. Initial Public Offering (IPO) Transaction cost

The costs of an IPO that involves both issue and listing of new shares and listing the existing equity shares has been accounted for as follows:

- Incremental costs that are directly attributable to issuing new shares has been deferred until successful consummation of IPO upon which it shall be deducted from equity (net of any income tax benefit).
- Costs that relate to the stock market listing, or are otherwise not incremental and directly attributable to issuing new shares, has been recorded as an expense in the statement of profit and loss as and when incurred.
- Costs that relate to both share issuance and listing has been allocated between those functions on a rational and consistent basis i.e. based on proportion of new shares issued to the total number of (new and existing) shares listed.

2.4 Significant accounting judgements, estimates and assumptions

The preparation of the Group's Consolidated Financial Statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Actual results could differ from those estimates. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods affected.

(i) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the Consolidated Financial Statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

a. Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the Consolidated Balance Sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Discounted Cashflows Model (DCF model). The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Refer note 34 for further disclosures.

b. Contingencies

Contingent liabilities may arise from the ordinary course of business in relation to claims against the Group, including legal and contractual claims. By their nature, contingencies will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence and potential quantum of contingencies inherently involves the exercise of significant judgement and the use of estimates regarding the outcome of future events. Refer note 31 for further disclosures.

c. Defined benefit plans (gratuity benefits)

The cost of the defined benefit gratuity plan and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate; future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate for plan operated in India, the management considers the interest rates of government bonds where remaining maturity of such bond correspond to expected term of defined benefit obligation. The mortality rate is based on publicly available mortality tables for India. Those mortality tables tend to change only at interval in response to demographic changes. Future salary increases and gratuity increases are based on expected future inflation rates for India.

Further details about gratuity obligations are given in note 28.

d. Provision for expected credit losses of trade receivables and contract assets

The Group estimates the credit allowance as per practical expedient based on the historical credit loss experience as enumerated in note 7.1.

e. Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates. Refer note 30 for further disclosures.

f. Share-based payments

The Group measures the cost of equity settled transactions with employees at the grant date using a Black Scholes model for General Employee Share Option Plan (GESP) and 'Capillary Employees Stock Option Scheme' - 2021 (CESP). This estimation also requires determination of the most appropriate inputs to the valuation model including the expected life of the share options, risk free interest rate, volatility, dividend yield and time value of money and making assumptions about them. The assumptions and model used for estimating the fair value of the share based payments are disclosed in note 29.

g. Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the same can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Refer note 26 for further disclosures.

The Group has carried forward tax losses. These losses relate to subsidiaries that have a history of losses and may not be used to offset taxable income elsewhere in the Group. The subsidiaries neither have any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses carried forward.

h. Impairment of Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the respective asset or the relevant cash generating units. The value in use calculation is based on Discounted Cashflows Model ("DCF model"). The cash flows projections are based on estimates and assumptions which are considered as reasonable by the management and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate (i.e. 27.5% p.a) used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group (refer note 4 and 36).

i. Capitalisation of internally generated software

The Group has identified certain intangibles which are being internally generated. In the research phase of an internal project, an entity cannot demonstrate that an intangible asset exists that will generate probable future economic benefits. Therefore, this expenditure is recognised as an expense when it is incurred. An intangible asset arising from development (or from the development phase of an internal project) shall be recognised if, and only if, an entity can demonstrate all of the following:

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- (b) its intention to complete the intangible asset and use or sell it.
- (c) its ability to use or sell the intangible asset.
- (d) how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- (f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

The Group had completed the research and acceptance phase and the projects are in the development phase. The Group has done evaluation of the internally generated software and concluded on being treated as intangible assets. Refer note 4 for further disclosure.

2.5 Recent accounting pronouncement

Ministry of Corporate Affairs ("MCA") notifies new standards or amendments to the existing standards under Companies (Indian Accounting Standards) Rules as issued from time to time. On March 31, 2023, the MCA amended the Companies (Indian Accounting Standards) Amendment Rules, 2023, as below:

Ind AS 107 - Financial instrument - The amendment substitutes the paragraph 21 - while presenting a Financial Statement an entity discloses material accounting policy information. Information about the measurement basis (or bases) for financial instruments used in preparing the financial statements is expected to be material accounting policy information. The Company has evaluated the amendment and there is no impact on its Standalone Financial Statements.

Ind AS 1 - Presentation of Financial Statements - This amendment requires the entities to disclose their material accounting policies rather than their significant accounting policies. The effective date for adoption of this amendment is annual periods beginning on or after April 1, 2023. The Company has evaluated the amendment and the impact of the amendment is insignificant in the financial statements.

Ind AS 8 - Accounting Policies, Changes in Accounting Estimates and Errors - This amendment has introduced a definition of 'accounting estimates' and included amendments to Ind AS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates. The effective date for adoption of this amendment is annual periods beginning on or after April 1, 2023. The Company has evaluated the amendment and there is no impact on its financial statements.

Ind AS 12 - Income Taxes - This amendment has narrowed the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. The effective date for adoption of this amendment is annual periods beginning on or after April 1, 2023. The Company has evaluated the amendment and there is no impact on its financial statement.

None of the amendments notified by MCA which are applicable from April 1, 2023 are expected to have any material impact on the financial statements of the Company.

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3 Property, plant and equipment

Particulars	Computers	Office equipments	Leasehold improvements	Furniture and fixtures	Total
Gross block					
As at April 01, 2021	11.35	0.71	1.23	1.27	14.56
Additions	26.12	0.20	-	-	26.32
Adjustment pursuant to acquisition of a subsidiary (refer note 36(b))	4.56	-	-	0.10	4.66
Disposals	(0.65)	(0.37)	(0.11)	(0.60)	(1.73)
Exchange differences - translation adjustments	0.51	(0.01)	0.02	0.08	0.60
As at March 31, 2022	41.89	0.53	1.14	0.85	44.41
Additions	18.72	1.04	-	-	19.76
Disposals	(1.40)	-	-	-	(1.40)
Translation adjustments	0.92	0.02	0.05	0.35	1.34
As at March 31, 2023	60.13	1.59	1.19	1.20	64.11
Accumulated depreciation					
As at April 01, 2021	5.47	0.33	1.18	0.32	7.30
Charge for the year	11.76	0.20	-	0.27	12.23
Disposals	(0.44)	(0.17)	(0.07)	(0.27)	(0.95)
Translation adjustments	0.30	-	0.03	0.06	0.39
As at March 31, 2022	17.09	0.36	1.14	0.38	18.97
Charge for the year	23.45	0.16	-	0.12	23.73
Disposals	(1.27)	-	-	-	(1.27)
Translation adjustments	(0.26)	0.03	0.05	0.30	0.12
As at March 31, 2023	39.01	0.55	1.19	0.80	41.55
Net block					
As at March 31, 2022	24.80	0.17	-	0.47	25.44
As at March 31, 2023	21.12	1.04	-	0.40	22.56

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4 Intangible assets

Particulars	Computer software	Internally generated assets*	Intellectual property rights	Patents	Customer relationships	Total	Goodwill (refer note 36(b))	Intangible assets under development**
Gross block								
As at April 01, 2021	5.91	372.34	0.64	6.09	-	384.98	-	3.47
Additions	-	143.99	-	3.66	-	147.65	-	147.76
Disposals	(0.01)	-	-	-	-	(0.01)	-	(147.65)
Adjustment pursuant to acquisition of a subsidiary (refer note 36(b))	-	-	74.00	-	397.00	471.00	1,472.72	-
Exchange differences - translation adjustment	-	8.32	0.01	0.13	-	8.46	-	0.04
As at March 31, 2022	5.90	524.64	74.65	9.88	397.00	1,012.08	1,472.72	3.62
Additions	-	245.21	-	-	-	245.21	-	51.35
As at March 31, 2023	5.90	769.85	74.65	9.88	397.00	1,257.29	1,472.72	54.97
Accumulated amortisation								
As at April 01, 2021	2.42	130.61	0.64	6.09	-	139.76	-	-
Charge for the year	1.57	150.01	14.39	3.65	77.19	246.81	-	-
Disposals	(0.01)	-	-	-	-	(0.01)	-	-
Translation adjustments	-	4.52	0.01	0.14	-	4.67	-	-
As at March 31, 2022	3.98	285.14	15.04	9.88	77.19	391.23	-	-
Charge for the year	0.86	192.14	24.67	-	132.33	350.00	-	-
As at March 31, 2023	4.84	477.28	39.71	9.88	209.52	741.23	-	-
Net block								
As at March 31, 2022	1.92	239.50	59.61	-	319.81	620.85	1,472.72	3.62
As at March 31, 2023	1.06	292.57	34.94	-	187.48	516.06	1,472.72	54.97

* Internally generated intangible assets capitalised and intangible assets under development comprise of the following:

Particulars	Internally generated assets	Intangible asset under development
Employee salary costs	141.65	51.35
Employee stock option expenses	38.82	-
Software and server charges	64.74	-
	245.21	51.35

#Intangible asset under development (IAUD) ageing schedule

As at March 31, 2023

	Amount in IAUD for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress	51.35	1.61	0.79	1.22	54.97
	51.35	1.61	0.79	1.22	54.97

As at March 31, 2022

	Amount in IAUD for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress	1.61	0.79	0.30	0.92	3.62
	1.61	0.79	0.30	0.92	3.62

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(All amounts in Indian Rupees (₹) millions, unless otherwise stated)

5 Tax assets/liabilities

	As at March 31, 2023	As at March 31, 2022
A Non-current tax assets		
Advance income-tax	50.53	72.73
	50.53	72.73
B Liabilities for current tax		
Provision for income tax	1.03	5.58
	1.03	5.58

6 Financial assets

Unsecured considered good unless otherwise stated

Non-current

Financial instruments at amortised cost

Non-current bank balances (refer note 8)

Total other non-current financial assets

115.69	156.03
115.69	156.03

Current

Financial instruments at amortised cost

Security deposits

Security deposits - others

Security deposits - credit impaired

8.76	7.76
-	0.63
8.76	8.39

Less: impairment allowance for security deposits

(A) 8.76 7.76

Other receivables from related parties (refer note 32)¹

Advances to employees

Interest accrued on fixed deposits

145.88	116.16
0.31	0.20
4.12	0.74
150.31	117.10

(A) + (B) 159.07 124.86

¹ Other receivables from related parties are non-interest bearing and are generally on terms of upto 90 days. Other receivables from related parties includes ₹ 145.88 (March 31, 2022: ₹ 116.16) due from the Ultimate Holding Company which are secured against the External Commercial Borrowings of ₹ 179.22 (March 31, 2022: ₹ 153.67) payable to the Ultimate Holding Company. These amounts will be settled on the completion of certain events and are therefore currently not due. The management expects to recover the amount from Ultimate Holding Company within next twelve months.

7 Trade receivables

Unsecured

Trade receivables - considered good^{1,2}

Trade receivables - credit impaired (refer note 7.1)

801.11	569.43
10.53	30.43
811.64	599.86

Impairment allowance (allowance for bad and doubtful debts)

Trade receivables - Unsecured, credit impaired (refer note 7.1)

(10.53)	(30.43)
(10.53)	(30.43)

(A + B) 801.11 569.43

¹No trade or other receivable are due from directors or other officers of the Group either severally or jointly with any other person. Nor any trade or other receivable are due from firms or private companies respectively in which any director is a partner, a director or a member. Also refer note 32.

²Trade receivables are non-interest bearing and are generally on terms of upto 90 days.

7.1 Expected credit loss allowance

Movement in expected credit loss allowance under simplified approach are provided in the table below:

At the beginning of the year	30.43	36.04
Provision made during the year	19.19	12.50
(Utilised) / (reversed) during the year	(30.55)	(18.18)
Exchange differences - translation adjustment	(8.54)	0.07
At the end of the year	10.53	30.43

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7 Trade receivables (cont'd)

Trade receivables ageing schedule

As at March 31, 2023

	Unbilled*	Current but not due	Outstanding for following periods from due date of payment					Total
			Less than 6 months	6 months - 1 year	1 -2 years	2 - 3 years	More than 3 years	
Undisputed trade receivables								
- considered good	124.44	513.00	159.12	3.30	1.25	-	-	801.11
- with significant increase in credit risk	-	-	-	-	-	-	-	-
- credit impaired	-	4.52	2.20	2.86	0.95	-	-	10.53
Disputed trade receivables								
- considered good	-	-	-	-	-	-	-	-
- with significant increase in credit risk	-	-	-	-	-	-	-	-
- credit impaired	-	-	-	-	-	-	-	-
	124.44	517.52	161.32	6.16	2.20	-	-	811.64

As at March 31, 2022

	Unbilled*	Current but not due	Outstanding for following periods from due date of payment					Total
			Less than 6 months	6 months - 1 year	1 -2 years	2 - 3 years	More than 3 years	
Undisputed trade receivables								
- considered good	114.07	282.71	155.82	16.65	0.18	-	-	569.43
- with significant increase in credit risk	-	-	-	-	-	-	-	-
- credit impaired	-	-	7.32	10.30	4.81	-	6.30	28.73
Disputed trade receivables								
- considered good	-	-	-	-	-	-	-	-
- with significant increase in credit risk	-	-	-	-	-	-	-	-
- credit impaired	-	-	-	-	1.70	-	-	1.70
	114.07	282.71	163.14	26.95	6.69	-	6.30	599.86

* Unbilled revenue consists of contract assets, that primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to the receivables when the rights become unconditional and is current but not due.

8 Cash and cash equivalents

	As at March 31, 2023	As at March 31, 2022
a) Balances with banks		
On current accounts	462.00	291.93
(A)	462.00	291.94
b) Other bank balances		
Margin money deposits**	115.69	156.03
(B)	115.69	156.03
Disclosed under other non-current financial assets (refer note 6)	(115.69)	(156.03)
(C)	(115.69)	(156.03)
(A+B+C)	462.00	291.94

**These are lien against short-term borrowings from a bank (refer note 12)

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9 Other assets

	As at March 31, 2023	As at March 31, 2022
Non-current		
Others (Unsecured, considered good)		
Advance towards acquisition of a subsidiary [#]	696.59	-
Deferred contract costs*	5.97	2.53
Prepaid expenses	4.70	3.47
	707.26	6.00
Current		
Unsecured, considered good		
Advances other than capital advances	17.18	2.52
Others (Unsecured, considered)		
Deferred contract costs*	9.58	11.56
Deferred expenses**	-	25.04
Prepaid expenses	42.98	34.53
Balance with statutory/ government authorities	6.34	21.66
	76.08	95.31

[#]The Group has entered into a stock purchase agreement dated March 30, 2023 to acquire 100% stake in Brierley & Partners Inc., and Brierley Europe Limited (collectively referred to as "Brierley Group") for a total consideration of USD 10 million, consisting primarily of cash. Brierley Group provides customer relationship management and loyalty products and services, including technology, marketing and strategy to global companies. The Company has obtained control on April 01, 2023 upon satisfaction of customary closing conditions. The allocation of purchase price to goodwill and other acquired intangibles was not complete as on March 31, 2023. Consequently the financial Statements of Brierley Group has not been consolidated in these consolidated financial statements.

*Deferred contract costs represent commission costs paid to sales team and set out below is the movement in the capitalised contract costs.

Deferred contract costs

At the beginning of the year	14.09	16.23
Additions during the year	20.80	23.53
Amortised during the year	(19.84)	(24.58)
Translation adjustments	0.50	0.08
At the end of the year	15.55	14.09
The same is shown under:		
Current	9.58	11.56
Non-current	5.97	2.53
	15.55	14.09

**The Group has incurred an expenditure of ₹ 176.71 and ₹ 169.62 as at March 31, 2023 and March 31, 2022 respectively towards the proposed Initial Public Offer (IPO) of which ₹ 136.85 (March 31, 2022: ₹ 116.16) being recoverable from the selling shareholders has been recorded under "Other Financials Assets". As at March 31, 2022, expenses in connection with the Company's share of the IPO proceeds is deferred until the completion of IPO. Pursuant to the resolution passed in the extra-ordinary general meeting of the Company dated March 24, 2023, the Company has withdrawn/cancelled their proposed IPO plans. During the year, the deferred expenses have to charged to the Consolidated Statement of Profit and Loss.

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10 Equity share capital

	Equity shares		Preference shares	
	Number (in millions)	₹	Number (in millions)	₹
Equity shares of ₹ 2 each				
Preference shares of ₹ 10 each				
<i>Authorised share capital</i>				
As at April 01, 2021	2.50	25.00	-	-
Increase/ (decrease) during the year ^{1,3}	28.50	125.00	0.10	1.00
Adjustment for sub-division of equity shares ²	44.00	-	-	-
As at March 31, 2022	75.00	150.00	0.10	1.00
Increase/ (decrease) during the year	-	-	-	-
As at March 31, 2023	75.00	150.00	0.10	1.00

¹The authorised share capital of the Company was increased from ₹ 25 i.e. 2.50 million equity shares (par value of ₹ 10 per equity share) to ₹ 110 i.e. 11 million equity shares, each ranking pari passu in all respect with the existing equity shares of the Company during the previous year ended March 31, 2022.

² During the year ended March 31, 2022, pursuant to the approval of the Board of Directors, the Company has split each equity share of the Company having a face value of ₹ 10 per equity share into 5 equity shares having a face value of ₹ 2 per equity share and accordingly the number of shares increased from 11 million to 55 million.

³ Pursuant to the approval of the Board of Directors and as per the applicable provisions of the Act, the authorised share capital of the Company was increased from ₹ 110 i.e. 55 million equity shares of ₹ 2 each to ₹ 150 i.e. 75 million equity shares of ₹ 2 each and 0.10 million preference shares of ₹ 10 each.

(a) Issued share capital

	Equity shares		Equity component of Compulsorily Convertible Preference Shares ('CCPS')	
	Number (in millions)	₹	Number (in millions)	₹
Equity shares of ₹ 2 each (March 31, 2022 : ₹ 2 each) issued, subscribed and fully paid up				
Preference shares of ₹ 10 each issued, subscribed and fully paid up				
As at April 01, 2021	2.33	23.33	-	-
Issuance of share capital ^{1,2,4,5}	0.09	0.90	0.01	-
Conversion of CCPS ³	0.02	0.17	(0.01)	-
Adjustment for sub-division of equity shares ⁶	9.76	-	-	-
Issuance of bonus shares ⁷	37.81	75.63	-	-
As at March 31, 2022	50.01	100.03	-	-
Issuance of share capital ⁸	2.66	5.33	-	-
Issuance of bonus shares ⁹	0.22	0.43	-	-
As at March 31, 2023	52.89	105.79	-	-

¹ Pursuant to the approval of the Board of Directors, the Parent Company approved the allotment of 58,836 equity shares of face value of ₹ 10 each at a price of ₹ 8,840 per equity share (including securities premium of ₹ 8,830 per equity share) for an amount aggregating to ₹ 520.11 to the existing equity share holders of the Parent Company on rights issue basis under the provisions of the Act and all other applicable laws and regulations.

² Pursuant to the approval of the Board of Directors, the Parent Company approved the allotment of 5 equity shares of face value of ₹ 10 each at a price of ₹ 8,840 per equity share (including securities premium of ₹ 8,830 per equity share) for an amount aggregating to ₹ 0.04 on a private placement basis under the provisions of the Act and all other applicable laws and regulations.

³ Pursuant to the approval of Board of Directors, the Parent Company approved the allotment of 14,915 0.01% Compulsorily Convertible Preference Shares ('CCPS') of face value of ₹ 10 each at a price of ₹ 8,840 per CCPS (including securities premium of ₹ 8,830 per CCPS) for an amount aggregating to ₹ 131.87 on a private placement basis under the provisions of the Act and all other applicable laws and regulations. Further, the aforesaid 14,915 CCPS were converted into 17,908 equity shares of face value of ₹ 10 each at a price of ₹ 7,712 per share (including securities premium of 7,702 per share) at the ratio of 1.14626 equity shares for every 1 CCPS held.

⁴ Pursuant to the approval of Board of Directors, the Parent Company approved the allotment of 24,419 equity shares of face value of ₹ 10 each at a price of ₹ 7,712 per equity share (including securities premium of ₹ 7,702 per equity share) for an amount aggregating to ₹ 188.32 on a private placement basis under the provisions of the Act and all other applicable laws and regulations.

⁵ Pursuant to the approval of Board of Directors, the Parent Company approved the allotment of 5,920 equity shares of face value of ₹ 10 each at a price of ₹ 7,712 per equity share (including securities premium of ₹ 7,702 per equity share) for an amount aggregating to ₹ 45.66 on a private placement basis under the provisions of Companies Act, 2013 and all other applicable laws and regulations.

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10 Equity share capital (cont'd)

⁶ Pursuant to the approval of the Board of Directors, the Parent Company approved the sub-division of each equity share of the Company having a face value of ₹ 10 each into 5 equity shares having a face value of ₹ 2 each.

⁷ Pursuant to the approval of the Board of Directors, the Parent Company approved the bonus issue of 37.81 million equity shares of face value of ₹ 2 each for an amount aggregating to ₹ 75.63 million (fully paid-up by way of capitalisation of ₹ 75.63 million out of the Parent Company's securities premium account) to the existing equity shareholders of the Company under the provisions of Companies Act, 2013 and all other applicable laws and regulations.

⁸ Pursuant to the approval of the Board of Directors, the Parent Company approved the allotment of 2,664,285 equity shares of face value of ₹ 2 each at a price of ₹ 308 per equity share (including securities premium of ₹ 306 per equity share) for an amount aggregating to ₹ 820.60 on a private placement basis under the provisions of Companies Act, 2013 and all other applicable laws and regulations.

⁹ Pursuant to the approval of Board of Directors, the Parent Company approved the issuance of bonus shares in the proportion of 4.53:1 aggregating to 214,656 equity shares of face value of ₹ 2 each for an amount aggregating to ₹ 0.4 (fully paid-up by way of capitalisation of the Parent Company's securities premium account) to the existing equity shareholders of the Parent Company other than promoters under the provisions of Companies Act, 2013 and all other applicable laws and regulations.

(b) Terms / rights attached to equity shares

The Parent Company has got converted into a Public Limited Company after getting approvals from Registrar of Companies during the previous year ended March 31, 2022.

The Parent Company has only one class of equity shares having par value of ₹ 2 per share. Each holder of equity shares is entitled to one vote per share. The Parent Company declares and pays dividends in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

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

(c) Terms / rights attached to preference shares

The Parent Company had only one class of preference shares having par value of ₹ 10 per share.

Each CCPS had a par value of ₹ 10 and is convertible at the option of the Parent Company into equity shares of the Parent Company prior to the expiry of 20 years from the date of such issuance.

CCPS has been converted into equity shares by factoring the post money fair value of the Parent Company at the time of issuance of CCPS. The number of equity shares issued on conversion of the CCPS was calculated on a fully diluted basis after considering the ESOPs granted in a period of 2 months from the date of issuance of CCPS.

The preference shares carried a dividend of 0.01% per annum. Dividend was to be paid as and when it is paid and declared on the equity shares. The dividend rights are non-cumulative. The preference shares rank ahead of the equity shares in the event of a liquidation.

Also refer note 10(a)(3).

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

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

	As at March 31, 2023	As at March 31, 2022
Capillary Technologies International Pte Ltd, Singapore, the Ultimate Holding Company¹		
49.04 million equity shares of ₹ 2 each fully paid (March 31, 2022: 49.04 million equity shares of ₹ 2 each fully paid)	98.08	98.08

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10 Equity share capital (cont'd)

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

	March 31, 2023		March 31, 2022	
	No. of shares held (in millions)	% holding in the class	No. of shares held (in millions)	% holding in the class
Equity shares of ₹ 2 each (March 31, 2022 : ₹ 2 each), fully paid				
Capillary Technologies International Pte Ltd, Singapore, the Ultimate Holding Company ¹	49.04	92.72%	49.04	98.06%
Avataar Holdings	2.66	5.04%	-	-

As per the records of the Parent 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.

¹Includes 20 shares held by Mr. Sridhar Bollam (as a nominee)*

*Pursuant to the Circular Resolution dated August 20, 2021, the Parent Company approved the transfer of 1 share held by Mr. Abhijeet Vijayvergiya to Mr. Sridhar Bollam and creation of beneficial interest under Section 89 of the Companies Act, 2013 in favour of the Parent Company.

(f) Details of shares held by promoters

Promoter name	No. of shares at the beginning of the period (in millions)	Change during the period	No. of shares at the end of the period (in millions)	% of total shares	% change during the period
Capillary Technologies International Pte Ltd, Singapore, the Ultimate Holding Company					
March 31, 2023	49.04	-	49.04	92.72%	(5.34%)
March 31, 2022	2.33	46.71	49.04	98.06%	(1.94%)

(g) Aggregate number of equity shares issued as bonus, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date

	As at March 31, 2023	As at March 31, 2022
Equity shares allotted as fully paid bonus shares by capitalisation of securities premium (Number of shares, in millions)	0.21	37.81

(h) Shares reserved for issue under options

For details of shares reserved for issue under the share based payment plan of the Parent Company, refer note 29.

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11 Other equity	<u>₹</u>
Securities premium	
As at April 01, 2021	949.72
Add: Issuance of share capital (refer note 10(a) ^{1,2,4,5})	753.25
Add: Conversion of CCPS (refer note 10(a) ³)	131.68
Less: Issuance of fully paid bonus shares (refer note 10(a) ⁷)	(75.63)
As at March 31, 2022	<u>1,759.02</u>
Add: Issuance of share capital (refer note 10(a) ⁸)	815.27
Less: Issuance of fully paid bonus shares (refer note 10(a) ⁹)	(0.43)
As at March 31, 2023	(A) <u>2,573.86</u>
Capital reserve	
As at April 01, 2021	1,052.60
Changes pursuant to BLTA (refer note 36(a))	(199.89)
Changes pursuant to the gift deeds (refer note 36(a))	15.52
As at March 31, 2022	<u>868.23</u>
Changes during the year	-
As at March 31, 2023	(B) <u>868.23</u>
Foreign currency translation difference account (FCTR)	
As at April 01, 2021	50.89
Movement during the year	(5.67)
As at March 31, 2022	<u>45.22</u>
Movement during the year	(61.16)
As at March 31, 2023	(C) <u>(15.94)</u>
Capital contribution from the Ultimate Holding Company	
As at April 01, 2021	721.96
Employee stock option expenses (refer note 21 and 29)	121.71
Exceptional items (refer note 25 and 29)	160.07
Professional and consultancy expenses (refer note 29)	8.76
Stock options issued on behalf of the Group (refer note 36(b))	801.84
As at March 31, 2022	<u>1,814.34</u>
Movement during the year	(3.68)
As at March 31, 2023	(D) <u>1,810.66</u>
Retained earnings / (Accumulated deficit)[#]	
As at April 01, 2021	(2,672.44)
Loss for the year	(1,008.41)
Add: Re-measurement (losses) / gains on defined benefit plans	(3.74)
As at March 31, 2022	<u>(3,684.59)</u>
Loss for the year	(877.19)
Add: Re-measurement (losses) on defined benefit plans	(4.92)
As at March 31, 2023	(E) <u>(4,566.70)</u>
Share based payments reserve	
As at April 01, 2021	-
Employee stock option expenses (refer note 21 and 29)	259.17
As at March 31, 2022	<u>259.17</u>
Employee stock option expenses (refer note 21 and 29)	637.28
Buy-back of employee stock options	(7.92)
As at March 31, 2023	(F) <u>888.53</u>
Total other equity	(A+B+C+D+E+F)
As at March 31, 2022	1,061.39
As at March 31, 2023	1,558.64

[#] The Group has incurred cash losses during the years ended March 31, 2023 and March 31, 2022 which has resulted in substantial erosion of networth of the Group and as on March 31, 2023, the Group's current liabilities exceed the current assets. Though the networth of the Group was substantially eroded, the management of the Group basis its business plan as approved by the Board of Directors expects that there will be a significant increase in the operations of the Group that will lead to improved cash flows and long-term sustainability and the Group 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, one of the investors of the Ultimate Holding Company has committed to provide financial and operational support to the Group for its continued operations in the foreseeable future. Accordingly, the Consolidated Financial Statements of the Company have been prepared on a going concern basis and do not include any adjustments relating to the carrying amount and classification of assets or the amounts and classification of liabilities that may be necessary if the entity is unable to continue as a going concern.

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11 Other equity (cont'd)

Nature and purpose of reserves

11.1 Securities premium

Securities premium is used to record the premium on issue of shares. The reserve can be utilised only for limited purposes such as issuance of bonus shares in accordance with provisions of Section 63 the Companies Act, 2013.

11.2 Capital reserve

Capital reserve is on account of common control transaction as per Appendix C of Ind AS 103, as detailed in note 36

11.3 Foreign currency translation difference account

The foreign currency translation difference account represents exchange differences arising from the translation of the financial statements of the Parent Company's overseas subsidiaries from their respective functional currency to the presentation currency of the Company.

11.4 Capital contribution from the Ultimate Holding Company

The Ultimate Holding Company had a share option scheme under which it granted employee stock options to certain employees of the Parent Company without any cross charge. Capital contribution from the Ultimate Holding Company is used to recognise the value of equity-settled share-based payments provided to employees of the Parent Company, including key management personnel, as part of their remuneration by the Ultimate Holding Company. Refer note 29 for further details.

11.5 Retained earnings / (Accumulated deficit)

Retained earnings / (Accumulated deficit) represents the profits earned / (losses incurred) till date, less any transfer to general reserve, dividends or other distributions paid to the shareholders.

11.6 Share based payments reserve

The share options-based payment reserve is used to recognise the grant date fair value of options issued to employees of the Group under employee stock

12 Borrowings

	As at March 31, 2023	As at March 31, 2022
Non-current		
Debentures:		
Unlisted, non convertible, redeemable debentures (secured) ¹	331.52	-
Loans from related parties:		
External Commercial Borrowing ('ECB') from the Ultimate Holding Company (unsecured) ² (refer note 32)	89.61	153.67
Indian Rupees term loan from Body Corporate - NBFC (secured) ³	-	43.50
US Dollar term loan from Body Corporate (secured) ⁴	-	45.77
Term loans from Body Corporate:		
US Dollar term loan from Body Corporate - SBA (secured) ⁵	10.93	10.84
	432.06	253.78
Current		
Current maturities of long-term borrowings:		
Debentures:		
Unlisted, non convertible, redeemable debentures (secured) ¹	208.86	-
Loans from related parties:		
External Commercial Borrowing ('ECB') from the Ultimate Holding Company (unsecured) ² (refer note 32)	89.61	-
Term loans from Body Corporate:		
Indian Rupees term loan from Body Corporate - NBFC (secured) ³	36.91	112.62
US Dollar term loan from Body Corporate (secured) ⁴	42.11	129.27
US Dollar term loan from Body Corporate - SBA (secured) ⁵	1.38	1.30
Short-term borrowings:		
Loan from a Body Corporate (unsecured) ⁹ (refer note 32)	50.48	-
Loan from a Body Corporate (secured) ⁸	253.44	1.74
US Dollar loan from bank (secured) ¹⁰	83.49	-
Bank overdraft (secured) ^{6,7a}	-	96.75
Working capital loans from a bank (secured) ^{6,7b}	276.37	193.95
	1,042.65	535.63
The above amount includes		
Secured borrowings	1,245.01	634.00
Unsecured borrowings	229.70	155.41

12 Borrowings (cont'd)

Interest and security notes to Borrowings:

¹The Parent Company has entered into debenture trust deed dated March 29, 2023 for issue of 6,000 (six thousand) fully paid, unlisted, secured and redeemable non-convertible debentures (NCD) of face value of ₹ 100,000 each, aggregating to an amount of ₹ 600 for general corporate purpose. As on March 31, 2023 the Company has issued 5,500 fully paid, NCD, on a private placement basis, aggregating to an amount of ₹ 550 million. The NCD carries fixed coupon rate of 14.5% per annum, payable monthly on first of each month from the date of disbursement. NCD shall mature on April 01, 2025 and the principal amount of NCD are payable in equal monthly instalment starting from September 01, 2023. NCD is secured by way of first pari passu charge on all the existing future, fixed, non-current and current assets, including any and all intellectual property and the intellectual property rights with respect to these movables present and future, accounts, cashflows, receivables, book debts, revenue, equipment, inventory, contract rights or right to payment of money, leases, license agreement, franchise agreements, goodwill, uncalled capital, general intangibles, documents, instruments (including any promissory notes), chattel paper (whether tangible or intangibles), cash, deposit accounts, fixtures, letter of credit rights (whether or not the letter of credit is evidenced by writing) and all other investment property of the Company. NCD is also secured by way of unconditional and irrevocable corporate guarantee from Capillary Technologies International Pte Ltd, Singapore, the Ultimate Holding Company.

²During the year ended March 31, 2019, the Parent Company had entered into an External Commercial Borrowing ('ECB') arrangement with Capillary Technologies International Pte Ltd, Singapore, the Ultimate Holding Company. During the year ended March 31, 2020, the Company had taken loans amounting to USD 2 million 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, 2024 and September 30, 2024 respectively.

³Indian Rupees term loans from Body Corporate - NBFC carries interest of 14.35% per annum and is payable on a monthly basis in 21 equal instalments. The loan is secured by hypothecation of existing, future, fixed, current and non-current assets, 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 Parent Company's factories, premises and godowns held by any party to the order or disposition of the Parent Company, including in the course of transits, whether in ship or land, and all Parent Company's books relating to the foregoing, and any and all claims, rights and interests in any of the above and all substitutions for, additions, attachments, accessories, accessions and improvements to and replacements, products, proceeds and insurance proceeds of any or all of the foregoing and is guaranteed by way of a letter of guarantee from Capillary Technologies International Pte Ltd, Singapore, the Ultimate Holding Company.

⁴US Dollar term loan from a Body Corporate in relation to a subsidiary of ₹ 44.13 is outstanding as at March 31, 2023 (March 31, 2022: ₹ 175.04) which carries interest of 9.50% per annum and is payable on a monthly basis starting from interest-only period - August 12, 2021 to October 31, 2021 and instalment period November 01, 2021 to July 01, 2023. The loan is secured by a debenture deed dated August 12, 2021; incorporating a first and exclusive fixed and floating charge over all of subsidiary's present and future assets including, bank accounts, book debts, investments and dividends, licences, intellectual property, uncalled capital and goodwill, chattels, beneficiary interest in any pension fund. Subsidiary shall cause such charge to be filed with the Accounting and Corporate Regulatory Authority of Singapore prior to the drawdown of the loan. Capillary Technologies LLC (formerly known as 'Persuade Loyalty LLC'), USA, Persuade Holding Inc. (formerly known as 'Persuade Holdings LLC'), USA, Capillary Technologies DMCC, UAE, Capillary Technologies (Malaysia) Sdn. Bhd., Malaysia and Capillary Technologies (Shanghai) Co. Ltd, China provided a corporate guarantee guaranteeing the repayment of loan along with interest.

The Subsidiary has pledged the shares of Capillary Technologies LLC (formerly known as Persuade Loyalty LLC) to the lender.

⁵US Dollar term loan from Body Corporate - SBA in relation to a subsidiary of ₹ 12.31 is outstanding as at March 31, 2023 (March 31, 2022: ₹ 12.14) which carries interest of 3.75% per annum and is payable on a monthly basis, beginning 12 months from the date of promissory note. Further, the start of repayment of loan has been deferred to December 1, 2022 vide Small Bank Administration (SBA) release number: 22-19 | March 15, 2022. These loans are secured by hypothecation of property that the subsidiary now owns or shall acquire or create immediately upon the acquisition or creation thereof: all tangible and intangible personal property, including, but not limited to: (a) inventory, (b) equipment, (c) instruments, including promissory notes (d) chattel paper, including tangible chattel paper and electronic chattel paper, (e) documents, (f) letter of credit rights, (g) accounts, including health-care insurance receivables and credit card receivables, (h) deposit accounts, (i) commercial tort claims, (j) general intangibles, including payment intangibles and software and (k) as-extracted collateral as such terms may from time to time be defined in the Uniform Commercial Code. The security interest subsidiary grants includes all accessions, attachments, accessories, parts, supplies and replacements for the Collateral, all products, proceeds and collections thereof and all records and data relating thereto.

⁶The Parent Company has availed a bank overdraft facility and sales invoice discounting facility and post shipment credit facility carrying interest at REPO as reference rate and Secured Overnight Financing Rate (SOFR) plus 150 basis points per annum, respectively (HDFC Bank). The bank overdraft facility is payable on demand and sales invoice discounting facility is payable in 180 days from the disbursement of the loan. The loans are secured by way of hypothecation of stocks, bills, book debts and receivables and fixed deposits held as margin moneys.

^{7a} Bank overdraft facility from a bank carries interest at 3 months Marginal Cost Lending Rate ('MCLR') plus spread of 0.50% per annum and is payable on demand. This loan is secured by 100% cash margin by way of margin deposits placed under lien in favour of the bank.

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12 Borrowings

^{7b} Working capital loan from a bank on sales invoice discounting carries interest @ 3 months MCLR plus spread of 0.65% per annum and is payable in 3 months from the date of disbursement of loan (RBL Bank Ltd). These loans are secured by way of exclusive charge on the entire receivables of the Company discounted by the bank, first pari-pasu charge on current assets and movable fixed assets (present and future) of the company excluding the receivables discounted by the bank. This loan is also secured by way of corporate guarantee given from Capillary Technologies International Pte Ltd, Singapore, the Ultimate Holding Company to the extent of ₹ 255.

⁸ The Parent Company has entered into a loan agreement dated November 28, 2022 with Gameberry Labs Private Limited for ₹ 250 with interest of 18% per annum payable month and principal repayment within twelve months from the date of disbursement. The loan is secured by hypothecation of existing book debts, accounts receivable, outstanding moneys, claims, demands, bills, contracts, engagements, securities, movable plant and machinery including vehicles, equipments, computers, furniture, appliances, products, machinery spares and stores, tools and accessories, whether installed or not, all intellectual property and intellectual property rights, securities and other sums which are now due and owing or accruing, any and all cash proceeds and/or non cash proceeds of any of the foregoing, including without limitation, insurance proceeds, and all supporting obligations and its security therefore or for any right to payment and any receivables from the assets that are acquired by the Parent Company pursuant to the utilisation of loan amount. The loan is secured by way of a pari pasu first charge over the hypothecated properties, in favour of the Gameberry Labs Private Limited.

⁹ The Parent Company has entered into a loan agreement dated October 10, 2022 with Ms. Biotech Private Limited for ₹ 100. The loan is unsecured and is granted at an interest rate of 12.5% per annum payable on a monthly basis on a loan amount upto ₹ 50 and interest rate of 18% on rest of the amount of loan i.e. ₹ 50.

The loan is repayable on written notice of demand but not later than as mentioned below:

Amount	Period of repayment
₹ 50	on or before June 1, 2023
₹ 50	on or before December 31, 2022

¹⁰ A Subsidiary has taken credit facility from Bank of America for general business purposes vide a Master Credit Agreement dated April 27, 2022 for USD 1 millions at an interest rate of Bloomberg Short-term Bank Yield Index Rate ("BSBY") Daily Floating Rate plus 2.15 percentage points, which is payable monthly. The credit facility is secured against the subsidiary's accounts; chattel paper; deposit accounts; Documents; general intangibles; goods, including equipment; instruments; inventory; investment property; letters of credit and letter-of-credit rights; money and other assets of such subsidiary that now or later come into the possession, custody, or control of the Bank; all negotiable and non-negotiable documents of title covering any of the foregoing; all accessions, attachments and other additions to, or substitutions and replacements for, the foregoing, and all tools, parts and equipment used in connection with the foregoing; all books and records relating to the foregoing whether in the form of a writing, photograph, microfilm or electronic media, including but not limited to any computer-readable memory and any computer software necessary to process such memory; and all proceeds (as such term is defined in the Uniform Commercial Code), all cash or non-cash proceeds (including insurance proceeds), products, rents and profits of the foregoing, and all income, benefits and property receivable on account of the foregoing, and all supporting obligations covering any of the foregoing.

The expiry date of this credit facility is April 30, 2023.

13 Net employee defined benefit liabilities

	As at March 31, 2023	As at March 31, 2022
Non-current		
Provision for employee benefits:		
Provision for gratuity (refer note 28)	43.24	41.28
	43.24	41.28
Current		
Provision for employee benefits:		
Provision for gratuity (refer note 28)	21.58	7.68
	21.58	7.68

14 Deferred tax liabilities

Consolidated Balance Sheet:

Deferred tax liability related to the following:

	As at March 31, 2023	As at March 31, 2022
Deferred tax liability on intangibles on account of acquisition of a subsidiary (refer note 36(b))	54.27	93.78
Deferred tax liability on present value adjustment on purchase consideration on account of acquisition of a subsidiary	0.88	7.44
	55.15	101.22

Consolidated Statement of Profit and Loss:

	For the year ended March 31, 2023	For the year ended March 31, 2022
Deferred tax liability on present value adjustment on purchase consideration on account of acquisition of a subsidiary	(6.56)	(5.48)
Deferred tax liability on intangibles on account of acquisition of a subsidiary (refer note 36(b))	(39.51)	(23.05)
Deferred tax (credit)	(46.07)	(28.53)

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14 Deferred tax liabilities (cont'd)

Reconciliation of deferred tax liabilities:

	As at March 31, 2023	As at March 31, 2022
As at April 01, 2022	101.22	-
Deferred tax liability on intangibles on account of acquisition of a subsidiary (refer note 36(b))	-	116.83
Deferred tax liability on present value adjustment on purchase consideration on account of acquisition of a subsidiary	-	12.92
Deferred tax (credit) recognised in the Consolidated Statement of Profit and Loss	(46.07)	(28.53)
As at March 31, 2023	55.15	101.22

15 Provisions

Current

Provision for employee benefits:

Provision for compensated absences

	As at March 31, 2023	As at March 31, 2022
	10.37	31.46
	10.37	31.46

16 Other financial liabilities

Non-current

Payable towards share purchase (refer note 36(b))

	As at March 31, 2023	As at March 31, 2022
	18.53	-
	18.53	-

Current

At amortised cost

Accrued salaries and benefits

Payable towards capital goods

Payable towards share purchase (refer note 36(b))

	120.72	100.56
	-	2.97
	9.54	156.30
	130.26	259.83

17 Other liabilities

Current

Contract liabilities - Deferred revenue (refer note 19.2)

Statutory dues payable

Advance from customers

	398.56	336.10
	29.65	37.95
	-	1.91
	428.21	375.96

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18 Trade payables

At amortised cost

Total outstanding dues of micro and small enterprises ^{1,2}	28.77	7.68
Total outstanding dues of creditors other than micro and small enterprises (refer note 32) ¹	559.80	656.27
	588.57	663.95

The above amount includes:

Trade payables to others	548.58	663.95
Trade payables to related parties (refer note 32)	39.99	-
	588.57	663.95

Notes:-

¹. Trade payables are non-interest bearing and are normally settled on terms upto 90 days.

². Trade payables include due to suppliers under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act, 2016). 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 Parent Company. The Parent Company has not received any claim for interest from any supplier as at the balance sheet date. 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.

Disclosure as per the MSMED Act, 2006

	As at March 31, 2023	As at March 31, 2022
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of the period:		
- Principal amount due to micro and small enterprises	28.48	7.68
- Interest due on above	0.29	-
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 the period	-	-
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 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	0.29	-

3. Trade payables ageing schedule:

As at March 31, 2023

	Unbilled/ Not due	Outstanding for following periods from the date of the transaction				Total
		Less than 1 year	1-2 years	2-3 years	More than 3 years	
Undisputed dues of						
- micro and small enterprises	-	28.47	0.02	-	0.27	28.77
- creditors other than micro and small enterprises	189.21	336.18	28.22	6.55	5.13	565.29
Disputed dues of:						
- micro and small enterprises	-	-	-	-	-	-
- creditors other than micro and small enterprises	-	-	-	-	-	-
	189.21	364.65	28.24	6.55	5.40	594.05

As at March 31, 2022

	Unbilled/ Not due	Outstanding for following periods from the date of the transaction				Total
		Less than 1 year	1-2 years	2-3 years	More than 3 years	
Undisputed dues of						
- micro and small enterprises	-	7.68	-	-	-	7.68
- creditors other than micro and small enterprises	209.53	440.88	4.91	0.38	0.57	656.27
Disputed dues of:						
- micro and small enterprises	-	-	-	-	-	-
- creditors other than micro and small enterprises	-	-	-	-	-	-
	209.53	448.56	4.91	0.38	0.57	663.95

Capillary Technologies India Limited
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19 Revenue from operations

	For the year ended March 31, 2023	For the year ended March 31, 2022
Sale of services		
Retainership and other services	1,886.81	1,299.63
Installation income	770.15	474.72
Income from campaign services	569.85	456.34
Total revenue from operations	3,226.81	2,230.69
United states of America	817.86	421.71
Other than United states of America	2,408.95	1,808.98
Total revenue from operations	3,226.81	2,230.69

19.1 Timing of revenue recognition

Services transferred over time	2,656.96	1,774.35
Services transferred at a point in time	569.85	456.34
	3,226.81	2,230.69

19.2 Contract balances

	As at March 31, 2023	As at March 31, 2022
Trade receivables (including unbilled revenue):		
-Current (Gross)	811.64	599.86
- Impairment allowance	10.53	30.43
Contract liabilities:-		
Deferred revenue:		
-Current	398.56	336.10
Advance from customers:		
-Current	-	1.91
Movement in Contract assets - Unbilled revenue		
As at April 01, 2022	114.07	69.81
Add: Satisfied performance obligations not invoiced	124.44	113.49
Less: Contract assets invoiced	(117.80)	(75.79)
Exchange differences - translation adjustment	3.60	1.72
As at March 31, 2023	124.31	114.07
Movement in Contract liabilities - Deferred revenue		
As at April 01, 2022	336.10	313.56
Add: Revenue to be recognized from performance obligations to be satisfied in succeeding year	398.56	333.75
Less: Revenue recognized that was included in contract liability at the beginning of the year	(350.36)	(362.41)
Exchange differences - translation adjustments	14.26	9.24
As at March 31, 2023	398.56	336.10
Movement in Advance from customers		
As at April 01, 2022	1.91	0.40
Add: Additions during the year	45.18	1.91
Less: Revenue recognized that was included at the beginning of the year	(47.09)	(0.40)
As at March 31, 2023	-	1.91

20 Other income

	For the year ended March 31, 2023	For the year ended March 31, 2022
Net gain on disposal/ discard of property, plant and equipment	0.06	-
Provisions/ liabilities no longer required written back	38.22	6.97
Gain on account of foreign exchange fluctuations (net)	25.40	-
Interest income on bank deposits	5.44	4.87
Interest income on income tax refund	9.71	-
Interest income on security deposits	0.10	0.23
Other non-operating income	29.82	1.60
	108.81	13.67

Capillary Technologies India Limited
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21 Employee benefit expenses

	For the year ended March 31, 2023	For the year ended March 31, 2022
Salaries, wages and bonus	1,589.54	999.65
Contribution to provident and other funds (refer note 28)	67.78	39.06
Employee stock option expenses (refer note 29)	600.61	380.88
Gratuity expenses (refer note 28)	16.53	13.42
Staff welfare and training and recruitment expenses	56.76	43.70
	2,331.22	1,476.71

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 Group 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.

22 Finance costs

Interest on borrowings (refer note 32)	98.87	58.45
Interest on lease liabilities (refer note 30)	3.47	2.15
Interest - others	0.64	19.82
Bank charges	9.41	6.75
	112.39	87.17

23 Depreciation and amortisation expenses

Depreciation of property, plant and equipment (refer note 3)	23.73	12.23
Amortisation of intangible assets (refer note 4)	350.00	246.81
Depreciation of right-of-use assets (refer note 30)	21.95	28.11
	395.68	287.15

24 Other expenses

Travelling and conveyance	59.73	19.96
Payment to auditors*	3.16	1.96
Provision for doubtful trade receivables and advances (including bad debts written off)	19.19	12.50
Selling and marketing expenses	122.32	100.22
Rates and taxes	22.31	7.89
Software and server charges	359.48	282.87
Directors' sitting fees (refer note 32)	4.30	0.73
Miscellaneous expenses	45.62	22.40
	636.33	487.52

***Payment to auditors (exclusive of goods and services tax)**

As auditor:

Statutory audit	2.50	6.60
Special purpose audit	2.80	-
Reimbursement of expenses	-	0.17
	5.30	6.77
Less: Recoverable from Ultimate Holding Company	(2.14)	(4.81)
	3.16	1.96

25 Exceptional items

Provisions/ liabilities no longer required written back (refer note 36(b))	113.82	-
Employee stock option expenses (refer note 29)	-	(160.07)
	113.82	(160.07)

During the year ended 31 March 22, employee stock options granted by the Ultimate Holding Company to various employees of the Parent Company were cancelled pursuant to the restructuring done by the management as detailed in note 32. The Parent Company accounted such cancellation as an acceleration of vesting and has recognised immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period.

Capillary Technologies India Limited
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Notes to the Consolidated Financial Statements
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26 Income tax

The Parent Company is subject to income tax in India on the basis of financial statements of the Parent Company. Business loss can be carried forward for a maximum period of eight assessment years immediately succeeding the assessment year to which the loss pertains. Unabsorbed depreciation can be carried forward for an indefinite period. The foreign subsidiaries are subject to taxes as applicable in their respective geographies.

Income tax expenses in the Special Purpose Interim Consolidated Statement of Profit and Loss consist of the following:

	For the year ended March 31, 2023	For the year ended March 31, 2022
(a) Current tax	(4.01)	5.78
(b) Deferred tax (credit) *	(46.07)	(28.53)
	(50.08)	(22.75)

* Deferred tax assets is not recognised since it is not probable that the taxable profit will be available against which the unutilised tax losses and temporary differences can be utilised, as assessed at March 31, 2023.

Reconciliation of taxes to the amount computed by applying the Company's domestic tax rate to the income before taxes is summarised below:

	For the year ended March 31, 2023	For the year ended March 31, 2022
Loss before taxes	(927.27)	(1,031.16)
Applicable tax rates in India	25.17%	25.17%
Computed tax charge	(233.37)	(259.52)
Tax effect on losses on which deferred tax has not been accounted	233.37	259.52
Reversal of provision for tax of foreign subsidiaries on a standalone basis	(4.01)	5.78
Total tax expense	(4.01)	5.78
Income tax reported in the Consolidated Statement of Profit and Loss	(4.01)	5.78

Expiration of losses carried forward

	As at March 31, 2023	As at March 31, 2022
March 31, 2023	-	24.84
March 31, 2024	104.56	132.35
March 31, 2025	191.92	191.92
March 31, 2026	76.98	77.07
March 31, 2028	2.55	-
March 31, 2029	37.88	-
March 31, 2030	41.99	-
March 31, 2032	61.51	-

i) The Parent Company has unabsorbed depreciation loss of ₹ 120.27 (March 31, 2022: ₹ 114.77) which can be carried forward indefinitely

Capillary Technologies India Limited
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27 Earnings / (Loss) per share (EPS)

Basic EPS is calculated by dividing the loss for the year attributable to equity shareholders of the Parent Company by the weighted average number of equity shares outstanding during the year. 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 years. The weighted average number of equity shares outstanding during the years 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.

Diluted EPS is calculated by dividing the profit attributable to equity shareholders by the weighted average number of equity shares outstanding during the years plus the weighted average number of equity shares that would be issued on conversion of all the dilutive potential equity shares into equity shares. Potential ordinary shares are antidilutive when their conversion to ordinary shares would increase earnings per share or decrease loss per share from continuing operations. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential ordinary shares that would have an antidilutive effect on earnings per share

The following table reflects the income and share data used in the basic and diluted EPS computations:

	For the year ended March 31, 2023	For the year ended March 31, 2022
Face value of equity shares (₹ per share)	2.00	2.00
(Loss) attributable to equity shareholders of the Parent Company for basic/ diluted EPS (₹ in millions) (a)	(877.19)	(1,008.41)
Weighted average number of equity shares used for computing EPS (basic) (in millions) (b)**	50.04	48.90
EPS- Basic (₹) (d=a/b)	(17.53)	(20.62)
EPS- Diluted (₹) (e=a/c)*	(17.53)	(20.62)

*Considering the Group has incurred loss in the current period, the effect of dilution on account of shares to be issued as per Capillary Employees Stock Option Scheme' - 2021 ('CESP') has been ignored.

** Also refer notes 10

28 Gratuity and other post-employment benefit plans

I) Defined contribution plan

The Group's contribution to provident fund and other funds are considered as defined contribution plans. The contributions are charged to the Consolidated Ind AS statement of Profit and Loss as they accrue. Contributions to provident and other funds included in employee benefit expenses (refer note 21) are as under:

	For the year ended March 31, 2023	For the year ended March 31, 2022
Contribution to provident and other funds	67.78	39.06
	67.78	39.06

II) Defined benefit plan

Gratuity

The Parent Company operates an unfunded defined benefit gratuity plan for all of its qualifying employees in India. Gratuity is calculated as 15 days' salary for every completed year of service or part thereof in excess of 6 months and is payable on retirement / termination/ resignation. The benefit vests on completing 5 years of service by the employee. The Parent Company makes provision of such gratuity liability in the books of account on the basis of actuarial valuation as per projected unit credit method.

The Group also operates an unfunded defined benefit gratuity plan for all of its qualifying employees in Dubai. The Company has determined estimated liabilities for employee benefits for meeting the minimum benefits required to be paid to the qualifying employees as required under UAE Labour Law. Under UAE Labour Law, if an employee served for more than 1 year but less than 5 years, the employee is entitled to 21 days' salary for each completed year of service and if an employee has served for more than 5 years, the employee is entitled to 30 days' of salary for each completed year of service.

The following tables summarise the components of net benefit expenses recognised in the Consolidated Statement of Profit and Loss and amounts recognised in the Consolidated Ind AS Balance Sheet for gratuity benefit:

	As on and for the year ended March 31, 2023	As on and for the year ended March 31, 2022
i. Net benefit expenses (recognised in the Consolidated Statement of Profit and Loss)		
Current service cost	13.87	11.28
Interest cost on defined benefit obligation	2.66	2.14
Net benefit expenses	16.53	13.42
ii. Remeasurement loss / (gain) recognised in other comprehensive income (OCI):		
Actuarial loss on obligations arising from changes in experience adjustments	5.89	4.97
Actuarial (gain) on obligations arising from changes in financial assumptions	(0.97)	(0.99)
Actuarial loss recognised in OCI	4.92	3.74
iii. Net defined benefit (liability)		
Defined benefit obligation	(64.82)	(48.96)
Fair value of plan assets	-	-
Plan (liability)	(64.82)	(48.96)

28 Gratuity and other post-employment benefit plans

II) Defined benefit plan (cont'd)

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

	March 31, 2023	March 31, 2022
Opening defined benefit obligation	48.96	40.48
Current service cost	13.87	11.28
Interest cost on the defined benefit obligation	2.66	2.14
Benefits paid	(5.59)	(8.68)
Actuarial loss on obligations arising from changes in experience adjustments	5.89	4.97
Actuarial (gain) on obligations arising from changes in financial assumptions	(0.97)	(0.99)
Actuarial (gain)/ loss on obligations arising from changes in demographic adjustments	-	(0.24)
Closing defined benefit obligation	64.82	48.96

v. The following pay-outs are expected in future years:

Within the next 12 months	11.50	7.68
Between 1 and 2 years	8.87	6.00
Between 2 and 3 years	6.85	4.72
Between 3 and 4 years	5.32	3.63
Between 4 and 5 years	4.18	2.82
Between 6 and 10 years	13.00	8.97
Beyond 10 years	37.47	30.60
Expected cash outflow in future years	87.19	64.42

The average duration of the defined benefit plan obligation at the end of the reporting period is 7.12 years

vi. The principal assumptions used in determining gratuity obligations for the Parent Company's plan are shown below:

Discount rate (in %)	7.43%	7.02%
Salary escalation rate (in %)	10.00%	10.00%
Employee turnover/ withdrawal rate	30.00%	30.00%
Mortality rate	Indian Assured Lives Mortality (2012-14) Ultimate	Indian Assured Lives Mortality (2012-14) Ultimate

Notes:

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

ii) Plan characteristics and associated risks:

The Gratuity scheme is a Defined Benefit Plan that provides for a lump sum payment made on exit either by way of retirement, death, disability or voluntary withdrawal. The benefits are defined on the basis of final salary and the period of service and paid as lump sum at exit. The Plan design means the risks commonly affecting the liabilities and the financial results are expected to be:

a. Discount rate risk : The defined benefit obligation calculated uses a discount rate based on government bonds. If bond yields fall, the defined benefit obligation will tend to increase

b. Salary inflation risk : Higher than expected increases in salary will increase the defined benefit obligation

c. Demographic risk : This is the risk of variability of results due to unsystematic nature of decrements that include mortality, withdrawal, disability and retirement. The effect of these decrements on the defined benefit obligation is not straight forward and depends upon the combination of salary increase, discount rate and vesting criteria. It is important not to overstate withdrawals because in the financial analysis the retirement benefit of a short career employee typically costs less per year as compared to a long service employee.

vii. A quantitative sensitivity analysis for significant assumption as at March 31, 2023 is as shown below:

	March 31, 2023	March 31, 2022
Discount rate		
Impact on defined benefit obligation due to 1% increase in discount rate	(2.57)	(1.99)
Impact on defined benefit obligation due to 1% decrease in discount rate	2.86	2.22
Salary escalation rate		
Impact on defined benefit obligation due to 1% increase in salary escalation rate	1.57	1.43
Impact on defined benefit obligation due to 1% decrease in salary escalation rate	(1.62)	(1.37)
Attrition rate		
Impact on defined benefit obligation due to 1% increase in attrition rate	(0.23)	(0.35)
Impact on defined benefit obligation due to 1% decrease in attrition rate	0.21	0.00

28 Gratuity and other post-employment benefit plans (cont'd)

II) Defined benefit plan (cont'd)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the Consolidated Balance Sheet.

29 Share-based payments

Description of the share based payment arrangements

The Group has the following share based payment arrangements:

A General Employee Share Option Plan ('GESP') of the Ultimate Holding Company

The shareholders of the Ultimate Holding Company had approved the General Employee Share Option Plan (GESP) for the granting of non-transferable options that are settled by physical delivery of the ordinary shares of the Ultimate Holding Company, subject to certain restrictions, to eligible employees.

Under GESP, all employees are entitled to a grant of options once they have been in service and eligible based on conditions determined by the Board. The vesting of the options is prorated over a period of four years. The exercise price of the options is Nil. The contractual life of the options is ten years.

25% of the share options granted on each grant date will vest at the end of one year. Subsequently, 6.25% of the share options granted shall vest at the end of each quarter thereon till all share options are vested. These options expire within 10 years from the date of grant.

The fair value of the share options granted under the GESP is estimated at the grant date using Black-Scholes method, taking into account the terms and conditions upon which the share options were granted. The fair value of the grants granted under the GESP Scheme during the year ended March 31, 2023 has been estimated based on the fair value of USD 5.449 per options considered for the purpose of acquisition of another Company for which purchase consideration was partly settled in form of options granted under the GESP Scheme.

At a meeting of the Board of Directors of the Ultimate Holding Company, 3.22 million options which were granted to various employees of the Ultimate Holding Company and its subsidiaries on different dates were cancelled as of October 31, 2021.

Movement during the year

The following table illustrates the number and Weighted Average Exercise Price (WAEP) of, and movements in, GESP plan during

	31 March 2023		31 March 2022	
	Number of options (in millions)	WAEP (₹ in millions)	Number of options (in millions)	WAEP (₹ in million)
Options outstanding at the beginning of the year	2.08	-	4.66	-
Granted during the year	0.00	-	0.66	-
Forfeited / lapsed during the year	(0.00)	-	(0.05)	-
Cancelled during the year	-	-	(3.18)	-
Exercised during the year	-	-	(0.01)	-
Options outstanding at the end of the year	2.08	-	2.08	-
Exercisable at year end	2.08	-	2.08	-

The options outstanding as at March 31, 2023 had an exercise price of Nil and the weighted average remaining contractual life of 3.57 years

The Ultimate Holding Company had granted stock options to employees of the Group under ESOP plans as detailed in note 29(A) above. The Ultimate Holding Company has an obligation to settle the transaction with the employees of the Group by providing its own equity shares. Therefore, in accordance with Ind AS 102, the Group had measured its expense in accordance with the requirements applicable to equity settled share-based payment transaction.

B Capillary Employee Stock Option Scheme - 2021 ('CESP')

The shareholders of Parent Company have approved the 'Capillary Employees Stock Option Scheme' - 2021 (CESP). The plan provides for the issue of 7,175,000 options to eligible employees and eligible directors of the Capillary Group. Capillary Group shall mean the Parent Company and its wholly owned subsidiaries, either existing or as may be incorporated from time to time and its Ultimate Holding Company and any successor company thereof.

The plan is administered by a Board of Directors of the Parent Company /compensation committee/ nomination and remuneration committee constituted by the Board (as the case may be) (Administrator). Under CESP, all employees are entitled to a grant of options once they have been in service and eligible based on conditions determined by the Administrator. The exercise price shall be as may be determined by the Administrator at the time of grant of options provided that the exercise price shall not be more than the fair market value of the shares as on the date of grant of options.

There shall be a minimum period of one (1) year between the grant of options and vesting of options, with a maximum period of ten (10) years from the date of grant of such options. Vesting of options would be subject to continued employment with the Parent Company and the options would vest on a quarterly basis. The option grantee may exercise the vested options (whether granted pre-listing or post-listing) within (a) 10 (ten) years from the date of vesting of options, or (b) 12 (twelve) years from the date of listing, whichever is later.

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29 Share-based payments (cont'd)

B Capillary Employee Stock Option Scheme - 2021 (CESP) (cont'd)

Measurement of fair values

The fair value of the share options granted under the CESP is estimated at the grant date using Black-Scholes method, taking into account the terms and conditions upon which the share options were granted. The model outputs the implied total value of the enterprise when the valuation accounts for all share class rights and preferences, as of the date of the latest financing by the Parent Company.

The following table lists the inputs to the option pricing models for the period ended March 31, 2023:

	31 March 2023	31 March 2022
Dividend yield (%)	0%	0%
Expected volatility (%)	62.40%	33.33%
Risk-free interest rate (% p.a.)	7.27%	6.12% - 6.27%
Expected life of option (years)	5.57 - 6.25	5.57 - 6.00
Weighted average share price as per Pre Discount for Lack of Marketability ("DLOM") & Pre Discount	₹ 376 - ₹ 308	₹ 376
Weighted average share price as per Post DLOM & Post DLOC	₹355.96 - ₹ 298.8	₹355.96 - ₹357.39

The expected life of the share options is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

Movements during the year

The following table illustrates the number and Weighted Average Exercise Price (WAEP) of, and movements in, CESP plan during the period:

	31 March 2023		31 March 2022	
	Number of options (in millions)	WAEP	Number of options (in millions)	WAEP
Options outstanding at the beginning of the year	3.74	0.05	-	-
Granted during the year	0.66	-	3.75	0.05
Forfeited / lapsed during the year	(1.55)	-	(0.01)	-
Cancelled				
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Options outstanding at the end of the year	2.85	0.04	3.74	0.05
Exercisable at year end	1.93			

The weighted average remaining contractual life of 8.92 years for vested options and 9.20 years for unvested options.

C Employee stock option expenses

The expense recognised for employee services received during the period is shown in the following table :

	31 March 2023	31 March 2022
Arising from equity settled share based payment transaction of CESP recognised in Employee benefit expenses (refer note 21)	637.28	259.17
Arising from equity settled share based payment transaction of GESP recognised in Employee benefit expenses (refer note 21)		121.71
Arising from equity settled share based payment transaction of GESP recognised in Exceptional Items (refer note 25)	-	160.07
Arising from equity settled share based payment transaction of GESP recognised in Professional and consultancy expenses	-	8.76

* Excludes ₹ 38.82 (March 31 2022: ₹ 22.29) on account of expense arising from equity settled share based payment transaction of CESP recognised in internally generated intangible assets

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29 Share-based payments (cont'd)

The Parent Company has granted stock options to the employees of Capillary Group under ESOP Plan as detailed in note 29(B) above. The Parent Company has an obligation to settle the transaction with the employees of the Capillary group by providing its own equity shares. Therefore, in accordance with Ind AS 102, the Parent Company has measured its expense in accordance with the requirements applicable to equity-settled share-based payment transaction.

30 Leases

I. Company as a lessee

The Group has lease contracts for office facilities. The lease term of the office facilities is generally 1-3 years. The Group also has certain leases of offices with lease terms of 12 months or less or low value. The Group applies the leases of low value assets and short term leases recognition exemptions for these. The Group has lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The carrying amounts of right-of-use assets recognised and the movements during the period is as follows:

	Office premises	
	March 31, 2023	March 31, 2022
As at April 01, 2022	35.84	21.81
Additions	5.45	40.90
Adjustment pursuant to acquisition of a subsidiary (refer note 36(b))	-	1.11
Charge for the period	(21.95)	(28.11)
Translation adjustments	(1.27)	0.13
As at March 31, 2023	18.07	35.84

The carrying amounts of lease liabilities recognised and the movements during the period is as follows:

	March 31, 2023	March 31, 2022
As at April 01, 2022	36.98	8.26
Additions	5.45	40.90
Accretion of interest	3.47	2.15
Payments	(26.68)	(15.37)
Translation adjustments	0.82	-
As at March 31, 2023	20.04	36.98

The same is shown under:

	March 31, 2023	March 31, 2022
Current	17.94	24.57
Non-current	2.10	12.41
	20.04	36.98

The maturity analysis of lease liabilities are disclosed in note 34.
The effective interest rate for lease liabilities is 3.69% to 14.35%.

Amounts recognised in the Consolidated Statement of Profit and Loss

	For the year ended March 31, 2023	For the year ended March 31, 2022
Depreciation on right-of-use assets	21.95	28.11
Interest on lease liabilities	3.47	2.15
Expense relating to leases of low-value assets/short term leases (included in other expenses)	-	7.82
	25.42	38.08

Amounts recognised in the Consolidated Cash Flow Statement

Total outflow for leases - principal	23.54	13.39
Total outflow for leases - interest	3.14	1.98
	26.68	15.37

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31 Contingent liabilities

In the ordinary course of business, the Group faces claims and assertions by various parties. The Group assesses such claims and assertions and monitors the legal environment on an ongoing basis with the assistance of external legal counsel, wherever necessary. The Group records a liability for any claims where a potential loss is probable and capable of being estimated and discloses such matters in its Consolidated Ind AS Financial Statements, if material. For potential losses that are considered possible, but not probable, the Group provides disclosure in the Consolidated Ind AS Financial Statements but does not record a liability in its accounts unless the loss becomes probable.

The following is a description of claims and assertions where a potential loss is possible, but not probable. The Group believes that none of the contingencies described below would have a material adverse effect on the Group's financial condition, results of operations or cash flows.

A Guarantees outstanding:

Particulars	March 31, 2023	March 31, 2022
Bank guarantees outstanding	4.68	3.91
Total	4.68	3.91

B The Honorable 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 years, the Group has made a provision for provident fund contribution pursuant to the judgement only from the date of Supreme Court Order. The Group will evaluate its position and update its provision, if required, on receiving further clarity on the subject. The Group does not expect any material impact of the same.

32 Related party disclosures

a) Names of the related parties and description of relationship

Nature of relationship	Name of the party
Related party where control exists	Capillary Technologies International Pte. Ltd., Singapore (Ultimate Holding Company)
Subsidiary Companies	Capillary Pte Ltd., Singapore (incorporated w.e.f. July 21, 2021) Capillary Technologies DMCC, UAE Capillary Technologies (Shanghai) Co. Ltd, China Capillary Technologies (Malaysia) Sdn. Bhd., Malaysia PT Capillary Technologies Indonesia, Indonesia Persuade Holding Inc. (formerly known as 'Persuade Holdings LLC'), USA Capillary Technologies LLC (formerly known as 'Persuade Loyalty LLC'), USA
A private company in which Key Managerial Personnel or their relatives is a member or director	Ms. Biotech Private Limited
Key managerial personnel and their relatives (where transactions have taken place)	Mr. Aneesh Reddy Boddu, Executive Director and Chief Executive Officer (upto December 31, 2022) and Managing Director (w.e.f. January 01, 2023) Mr. Anant Choubey, Executive Director, Chief Operating Officer and Chief Financial Officer (w.e.f. September 02, 2022) Mr. Alok Choubey, Relative Mr. Satish Kumar Choubey, Relative Mr. Venkat Ramana Tadanki, Independent Director Mrs. Neelam Dhawan, Independent Director Mr. Sameer Garde, Independent Director (upto December 31, 2022) and Executive director and CEO (w.e.f. January 01, 2023) Mrs. Yamini Preethi Natti, Independent Director Mr. Farid Lalji Kazani, Independent Director Mr. Mahendra Chordia, Chief Financial Officer (upto May 13, 2022) Mrs. G. Bhargavi Reddy, Company Secretary

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32 Related party disclosures (cont'd)

b) Summary of transactions and outstanding balances with above related parties are as follows:

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
1) Transactions during the year		
a) Interest on borrowings		
Capillary Technologies International Pte. Ltd., Singapore	19.19	6.79
Biotech Private Limited	4.93	-
b) Directors' sitting fees		
Mr. Venkat Ramana Tadanki	0.90	0.60
Mrs. Neelam Dhawan	1.20	0.70
Mr. Sameer Garde	0.60	0.70
Mrs. Yamini Preethi Natti	0.60	0.40
Mr. Farid Lalji Kazani	1.00	0.70
c) Issuance of equity shares (including securities premium)		
Capillary Technologies International Pte. Ltd., Singapore	-	520.11
Mr. Mohan Reddy Boddu	0.02	15.01
Mr. Anant Choubey	0.02	15.01
Mr. Aditya Reddy Boddu	0.01	7.39
Mr. Mahendra Chordia (Appointed w.e.f. August 31, 2021 and resigned w.e.f. May 13, 2022)	0.01	5.01
Ms. Pavani Reddy Boddu	0.00	3.50
Mr. Sridhar Bollam, Director (Resigned directorship w.e.f. December 10, 2021)	0.00	3.01
Ms. Janaki Munjuluri Rao (Joint ownership with Mr. Munjaluri Nagabhushana Rao)	0.00	3.01
Mr. Alok Choubey	0.00	2.51
Mr. Satish Kumar Choubey	0.01	2.51
Mrs. Yamini Preethi Natti	0.00	1.50
d) Issuance of preference shares (including securities premium)**		
Mr. Venkat Ramana Tadanki	-	36.80
Mr. Farid Lalji Kazani	-	32.50
Mr. Sameer Garde	-	2.01
Mrs. Neelam Dhawan	-	7.51
e) Expenditure incurred by the Company on behalf of others		
Reasoning Global eApplications Private Limited, India	0.12	
f) Expenditure incurred by the Group on behalf of Ultimate Holding Company		
Capillary Technologies International Pte. Ltd., Singapore	29.72	116.16
g) Borrowings from private company in which Key Managerial Personnel or their relatives is a member or director		
Biotech Private Limited	100.00	-
h) Repayment of borrowing from private company in which Key Managerial Personnel or their relatives is a member or director		
Biotech Private Limited	50.00	-
i) Loan from director		
Mr. Aneesh Reddy Boddu	50	-
j) Repayment of loan from director		
Mr. Aneesh Reddy Boddu	50	-
k) Professional and consultancy expenses		
Mr. Sameer Garde	4.91	-
l) Remuneration to key managerial personnel and their relatives (including employee stock option expenses)		
Mr. Anant Choubey	72.73	75.20
Mr. Aneesh Reddy Boddu	240.21	124.95
Mr. Mahendra Chordia	2.16	24.02
Mrs. G. Bhargavi Reddy	4.98	3.70
Mr. Sameer Garde	10.57	

* Includes ₹ 2.37 million recoverable from Capillary Technologies International Pte. Ltd., Singapore

** These have been converted into equity shares during the year. Also refer note 10(3).

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32 Related party disclosures (contd.)

2) Outstanding balances as at year end:

Particulars	March 31, 2023	March 31, 2022
a) Trade payable Capillary Technologies International Pte. Ltd., Singapore	39.99	-
b) Other receivables from related parties Capillary Technologies International Pte. Ltd., Singapore	145.88	116.16
c) External commercial borrowings Capillary Technologies International Pte. Ltd., Singapore	179.22	153.67
d) Unsecured loan from Body Corporate Biotech Private Limited (including interest accrued)	50.48	-
e) Corporate guarantees taken from the Ultimate Holding Company Capillary Technologies International Pte. Ltd., Singapore	258.63	255.00

c) Key Managerial Personnel's interests in the share based payments plan:

Share options held by key managerial personnel under the share based payments plan to purchase equity shares are as follows:

Share based payments plan	Exercise price	Number Outstanding (in millions)	Number Outstanding (in millions)
		March 31, 2023	March 31, 2022
Capillary Employees Stock Option Scheme' - 2021 ('CESP')	-	1.65	1.23

No share options have been granted to the non-executive members of the Board of Directors under the share based payments plans the Parent Company. Refer to Note 29 for further details on CESP.

Notes:-

- The transactions with related parties are made by the Group on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year end are unsecured and settlement occurs in cash.
- As the liability for gratuity and leave encashment is provided on an actuarial basis for the Group as a whole, the amount pertaining to remuneration to the key managerial personnel are not ascertainable and, therefore, not disclosed above.
- In respect of the transactions with the related parties, the Company has complied with the provisions of Section 188 and Section 177 of the Companies Act, 2013 where applicable, and the details have been disclosed above, as required by the applicable accounting standards
- Refer note 12 for borrowings with regard to securities given by the Ultimate Holding Company for the loan facility availed by the Parent Company.
- The above information has been determined to the extent such parties have been identified on the basis of information available with the Group.

33 Segment information - Disclosure pursuant to Ind AS 108 'Operating Segments'

(a) Information about reportable segments

Basis of identifying operating segments / reportable segments:

(i) Basis of identifying operating segments:

Operating segments are identified as those components of the Group (a) that engage in business activities to earn revenues and incur expenses (including transactions with any of the Group's other components); (b) whose operating results are regularly reviewed by the Group's Management Team who are Chief Operating Decision Maker (CODM) to make decisions about resource allocation and performance assessment and (c) for which discrete financial information is available. The accounting policies consistently used in the preparation of these consolidated Ind AS financial statements are also applied to record revenue and expenditure in individual segments. Assets, liabilities, revenues and direct expenses in relation to segments are categorised based on items that are individually identifiable to that segment, while other items, wherever allocable, are apportioned to the segment on an appropriate basis. Certain items are not specifically allocable to individual segments as the underlying services are used interchangeably. The Group therefore believes that it is not practical to provide segment disclosures relating to such items and accordingly such items are separately disclosed as 'unallocated'.

(ii) Reportable segments:

An operating segment is classified as reportable segment if reported revenue (including inter-segment revenue) or absolute amount of result or assets exceed 10% or more of the combined total of all the operating segments.

Two or more operating segments may be aggregated into a single operating segment if aggregation is consistent with the core principle of Ind AS 108 - 'Operating Segments' i.e. the segments have similar economic characteristics and the segments are similar in the nature of services, type or class of customer for their services etc. CODM evaluates the performance of the Group based on the single operative segment as cloud based intelligent customer engagement software solutions to retail chain operators ('CRM Services'). Therefore, there is only one reportable segment called CRM services in accordance with the requirement of Ind AS 108 "Operating Segments".

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33 Segment information - Disclosure pursuant to Ind AS 108 'Operating Segments' (cont'd)

(b) Geographical information

	Revenue from operations*	
	For the year ended March 31, 2023	For the year ended March 31, 2022
United States of America	817.86	421.71
Other than United States of America	2,408.95	1,808.98
Total	3,226.81	2,230.69

(b) Geographical information (cont'd)

	Non-current assets**	
	March 31, 2023	March 31, 2022
United States of America	10.01	12.92
Other than United States of America	2,897	2,308
Total	2,907.33	2,320.50

*Revenue by geographical area are based on the geographical location of the customers.

**Non-current assets excludes financial instruments and income tax assets.

34 Financial instruments

This section gives an overview of the significance of financial instruments for the Group and provides additional information on Consolidated Balance Sheet items that contain financial instruments.

The details of significant accounting policies, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2.3(m).

(a) Financial assets and liabilities

The management assessed that cash and bank balances, trade receivables, trade payables, and other current financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. Non-current financial assets and liabilities are discounted using an appropriate discounting rate where the time value of money is material. There are no financial instruments which are measured at fair value through profit and loss or fair value through other comprehensive income as at March 31, 2023

The following tables presents the carrying value and fair value of each category of financial assets and liabilities as at March 31, 2023 and March 31, 2022

Particulars	Carrying and fair value	
	March 31, 2023	March 31, 2022
Financial assets		
(i) Trade receivables (refer note 7)	801.11	569.43
(ii) Cash and cash equivalents (refer note 8)	462.00	291.94
(iii) Other financial assets (refer note 6)	274.76	280.89
Total	1,537.87	1,142.26
Financial liabilities		
(i) Borrowings (refer note 12)	1,474.71	789.41
(ii) Trade payables (refer note 18)	588.57	663.95
(iii) Lease liabilities (refer note 30)	20.04	36.98
(iv) Other financial liabilities (refer note 16)	148.79	259.83
Total	2,232.11	1,750.17

(b) Fair value hierarchy

Quoted prices in an active market (Level 1): This level of hierarchy includes financial assets that are measured by reference to quoted prices (unadjusted) in active markets for identical assets or liabilities. This category consists of investment in quoted equity shares and mutual fund investments.

Valuation techniques with observable inputs (Level 2): This level of hierarchy includes financial assets and liabilities, measured using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Valuation techniques with significant unobservable inputs (Level 3): This level of hierarchy includes financial assets and liabilities measured using inputs that are not based on observable market data (unobservable inputs). Fair values are determined in whole or in part, using a valuation model based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

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34 Financial instruments (cont'd)

(i) Short-term financial assets and liabilities are stated at carrying value which is approximately equal to their fair value.

(ii) Management uses its best judgement in estimating the fair value of its financial instruments. However, there are inherent limitations in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates presented above are not necessarily indicative of the amounts that the Group could have realised or paid in sale transactions as of respective dates. As such, fair value of financial instruments subsequent to the reporting dates may be different from the amounts reported at each reporting date.

(iii) There have been no transfers between Level 1, Level 2 and Level 3 for the period ended March 31, 2023.

(c) Financial risk management objectives and policies

The Group's principal financial liabilities comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade receivables, other financial assets and cash and bank balances derived from its operations.

In the course of its business, the Group is exposed primarily to fluctuations in foreign currency exchange rates, interest rates, liquidity and credit risk, which may adversely impact the fair value of its financial instruments. The Group has a risk management policy which not only covers the foreign exchange risks but also other risks associated with the financial assets and liabilities such as interest rate risks and credit risks. The risk management policy is approved by the Board of Directors. The risk management framework aims to:

- (i) create a stable business planning environment by reducing the impact of currency and interest rate fluctuations on the Group's business plan.
- (ii) achieve greater predictability to earnings by determining the financial value of the expected earnings in advance.

Market risk

Market risk is the risk of any loss in future earnings, in realisable fair values or in future cash flows that may result from a change in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchange rates, liquidity and other market changes. Future specific market movements cannot be normally predicted with reasonable accuracy.

(1) Market risk- Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates. Thus profits and cash flows from financing activities are dependent on market interest rates. Further, any decline in the credit rating of the Group will have an adverse effect on the interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group is as follows:

Particulars	(₹ in millions)	
	March 31, 2023	March 31, 2022
Fixed rate instruments:		
Financial liabilities	935.63	345.04
Variable rate instruments:		
Financial liabilities	539.08	444.37

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on the portion of loans and borrowings affected. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

Particulars	Increase/decrease in basis points	(₹ in millions)	
		For the year ended March 31, 2023	For the year ended March 31, 2022
Interest rate fluctuation	+50	(2.70)	(2.22)
Interest rate fluctuation	-50	2.70	2.22

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34 Financial instruments (cont'd)

(2) Market risk- Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating and financing activities. The Group's exposure to foreign currency changes from operating activities is not material.

The following table shows foreign currency exposure at the end of reporting period:

Particulars	March 31, 2023		March 31, 2022	
	Amount in foreign currency (in millions)	Amount in ₹ (in millions)	Amount in foreign currency (in million)	Amount in ₹ (in million)
Trade receivables				
USD	0.60	45.88	-	-
HKD	0.22	2.27	-	-
MYR	0.08	0.37	-	-
SGD	0.34	21.27	0.23	12.76
THB	11.63	19.13	-	-
Other receivables from related parties				
USD	2.12	174.12	1.53	116.16
Cash and cash equivalents				
USD	0.00	0.26	0.04	3.24
SGD	0.03	1.74	0.04	2.43
Security deposits				
SGD	0.02	1.36	0.01	0.53
Borrowings				
USD	2.18	179.22	3.34	253.38
Trade payables				
USD	7.18	589.91	0.17	13.25
SGD	1.64	246.41	2.91	160.88
MYR	0.01	0.15	-	-
THB	0.01	0.04	-	-
Other current financial liabilities				
SGD	0.03	2.02	0.03	1.69

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in respective foreign currency exchange rates, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies is not material.

Particulars	Change in	Effect on profit or loss before tax	
		Strengthening	Weakening
March 31, 2023			
USD	5%	(27.44)	27.44
SGD	5%	(2.50)	2.50
MYR	5%	0.01	(0.01)
THB	5%	0.95	(0.95)
HKD	5%	0.11	(0.11)
EUR	5%	0.04	(0.04)
March 31, 2022			
USD	5%	(7.36)	7.36
SGD	5%	(1.53)	1.53

The sensitivity analysis has been based on the composition of the Group's financial assets and liabilities at March 31, 2023 and March 31, 2022. The year end balances are not necessarily representative of the average debt outstanding during the year.

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34 Financial instruments (cont'd)

(ii) Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Financial instruments that are subject to credit risk and concentration thereof principally consist of loan receivables, trade receivables, cash and cash equivalents, bank balances and other financial assets of the Group.

The carrying value of financial assets represents the maximum credit risk. The maximum exposure to credit risk was ₹ 1,543.36 (March 31, 2022: ₹ 1,142.26), being the total carrying value of trade receivables, cash and cash equivalents, bank balances and other financial assets of the Group.

Customer credit risk is managed based on the Group's established policy, procedures and control relating to customer credit risk management. An impairment analysis is performed at each reporting date on an individual basis for major customers. The Group does not hold collateral as security.

With respect to trade receivables, the Group has constituted the terms to review the receivables on periodic basis and to take necessary mitigations, wherever required. The Group creates allowance for unsecured receivables based on historical credit loss experience and is adjusted for forward looking information. The allowance of trade receivables is based on the ageing of the receivables that are due.

Refer note 7.1 for movement in expected credit loss for the year ended March 31, 2023

Credit risk from balances with bank and financial institutions and in respect to loans and security deposits is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

(d) Liquidity risk

Liquidity risk refers to the risk that the Group cannot meet its financial obligations. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements. The Group has obtained fund based working capital limits from a bank. The Group invests its surplus funds in bank fixed deposit, which carry no or low market risk.

The Group monitors its risk of shortage of funds on a regular basis. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, etc. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be medium.

The following table shows a maturity analysis of the anticipated cash flows excluding interest obligations for the Group's financial liabilities on an undiscounted basis, which may differ from both carrying value and fair value.

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34 Financial instruments (cont'd)

(d) Liquidity risk (cont'd)

Particulars	0 - 1 years	1 to 5 years	> 5 years	Total
March 31, 2023				
Borrowings (refer note 1)	1,026.10	417.81	8.02	1,451.93
Lease liabilities	19.14	2.10	-	21.24
Trade payables	588.57	-	-	588.57
Other financial liabilities	133.74	31.46	-	165.20
	1,767.56	451.36	8.02	2,226.94
March 31, 2022				
Borrowings (refer note 1)	537.14	250.44	10.26	797.84
Lease liabilities	24.72	16.30	-	41.02
Trade payables	663.95	-	-	663.95
Other financial liabilities	259.83	-	-	259.83
	1,485.64	266.74	10.26	1,762.64

Notes:

1. The above disclosure excludes interest to be paid on the borrowings, by the Group.

35 Capital management

The Group's capital management is intended to create value for shareholders by facilitating the meeting of long-term and short-term goals of the Group.

The Group determines the amount of capital required on the basis of annual business plan coupled with long term and short term strategic investment and expansion plans. The funding needs are met through equity, cash generated from operations, long-term and short-term borrowings and support from the Ultimate Holding Company.

For the purpose of the Group's capital management, capital includes issued equity capital, and all other equity reserves attributable to the equity share holders of the Group.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, which is total debt divided by total capital plus total debt. The Group's policy is to keep the gearing ratio at an optimum level to ensure that the debt related covenants are complied with.

Particulars	March 31, 2023	31-Mar-22
Borrowings (refer note 12)	1,474.71	789.41
Less: Cash and cash equivalents (refer note 8)	(462.00)	(291.94)
Total debts (A)	1,012.71	497.47
Equity share capital (refer note 10)	105.79	100.03
Other equity (refer note 11)	1,558.64	1,061.39
Total Capital (B)	1,664.43	1,161.42
Capital and borrowings C= (A+B)	2,677.14	1,658.89
Gearing ratio (%) D= (A/C)	37.83%	29.99%

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings.

No changes were made in the objectives, policies or processes for managing capital during the year ended March 31, 2023 and March 31, 2022

36 Business Combinations

(a) Business and Loan Transfer Agreement including Addendum thereto and Gift deeds for transfer of shares of certain subsidiaries between Capillary Technologies International Pte Ltd ("Ultimate Holding Company") and Capillary Pte Ltd during the previous year ended March 31,

On July 21, 2021, the Ultimate Holding Company incorporated Capillary Pte Ltd. ("CPL") under the laws of Singapore with 100 equity shares of SGD 0.01 per share. On September 01, 2021, the Parent Company had subscribed to 1,385,135,135 equity shares of CPL at a fair value of USD 0.0074 per share aggregating to ₹ 747.99 (USD 10.25 million). On October 29, 2021, CPL bought back the shares held by the Ultimate Holding Company and as a result of such buy back, CPL became wholly owned subsidiary of the Group. On December 28, 2021, the Parent Company had further subscribed to 178,571,429 equity shares of CPL at a fair value of USD 0.014 per share aggregating to ₹ 186.72 (USD 2.50 million).

On November 01, 2021, CPL had entered into a Business and Loan Transfer Agreement ("BLTA") with the Ultimate Holding Company, to purchase the Business Undertaking (comprising of Business assets and Business liabilities) as defined in the BLTA ("Business Undertaking") on a going concern basis including assignment of Innoven loan from the Ultimate Holding Company to CPL as defined in the BLTA and further amended vide addendum dated December 21, 2021 between the Parent Company and CPL (collectively called "the Transferred Business") for a total consideration of USD 0.22 million (₹ 16.05) to be settled in cash. The Business Undertaking is engaged in the business of providing cloud based intelligent customer engagement software solutions to retail chain operators. CPL had consummated the above acquisition on November 01, 2021 by payment of USD 0.22 million (₹ 16.05) to the Ultimate Holding Company. The aforesaid transfer of Business pursuant to the BLTA involves novation/ assignment/ transfer of various contracts, pending execution of such, the business has been transferred with beneficial rights to CPL.

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36 Business Combinations (cont'd)

In November 2021, the Ultimate Holding Company and CPL had executed separate Deed of Gift to transfer investments in Capillary Technologies (Malaysia) Sdn. Bhd., Malaysia, Capillary Technologies (Shanghai) Co Ltd, China, Capillary Technologies DMCC, UAE and PT Capillary Technologies Indonesia, Indonesia (hereinafter all referred together as the 'Transferred Entities') to CPL for no consideration.

Transferred Entities are engaged in the business of software and data analytical services and providing cloud based intelligent customer engagement software solutions to retail chain operators.

The Group accounted for the aforesaid transfers pursuant to the BLTA and Gift deeds as a Business Combination transaction under common control as per appendix C of Ind AS 103 and accordingly the transfers have been given effect to from April 01, 2020, which will be the deemed acquisition date as per the aforesaid appendix. The excess of purchase consideration paid by the Group over the aggregate value of the net assets acquired has been adjusted with capital reserve.

The following table represents the change in capital reserve due to the change in net assets as at November 01, 2021 and March 31, 2021, transferred to the Group as a consequence of the BLTA:

Particulars	November 01, 2021	March 31, 2021
Net assets taken over (A)	365.87	786.50
Purchase consideration (B) ¹	15.95	236.69
Excess of purchase consideration over net assets taken over adjusted with capital reserve (A-B)	349.92	549.81
Change in capital reserve due to change in the net assets of carve out business (refer note 11)	(199.89)	

¹The purchase consideration has been converted into ₹ at the closing rate prevailing at the end of respective period/years

The following table represents the change in capital reserve due to the change in net assets as at March 31, 2022, transferred to the Group as a consequence of the Gift deeds:

Particulars	March 31, 2022	March 31, 2021
Net assets taken over (A)	518.31	502.79
Purchase consideration (B)	-	-
Excess of purchase consideration over net assets taken over adjusted with capital reserve (A-B)	518.31	502.79
Change in capital reserve due to change in the net assets of gifted subsidiaries (refer note 11)	15.52	

(b) Acquisitions during the year ended March 31, 2022

On September 01, 2021 (closing date), CPL executed an Acquisition Agreement and acquired 100% membership interest and shareholding of Capillary Technologies LLC (formerly known as 'Persuade Loyalty LLC') and Persuade Holdings Inc. (formerly known as Persuade Holdings LLC) respectively (collectively "the Acquired Enterprises") for a total maximum consideration of USD 25.90 million (₹ 1,858.33). The discharge of said consideration is as follows:

- Upfront cash payout of USD 10.00 million
- Second tranche of cash consideration payout of USD 2.50 million paid in December 2021
- Third tranche Cash payout of USD 2.50 million to paid on or by March 31, 2023 basis certain performance conditions of the Acquired Enterprises based on an earnout model, and stock issue of the Ultimate Holding Company amounting to USD 10.90 million on or by March 31, 2023 basis certain performance conditions of the Acquired Enterprises based on an earnout model. (collectively referred to as 'Contingent Consideration'). The Acquired Enterprise is engaged in the business of software development services and provides digital, loyalty and analytical services.

The Acquisition Agreement also provided for Employee Stock Options (ESOPs) of the Ultimate Holding Company aggregating to USD 4.10 million which will be issued by end of March 31, 2023 to the employees of the Acquired Enterprises basis certain performance conditions of the Acquired Enterprises based on an earnout model. Additionally, these ESOPs will be governed by the terms and conditions of the employment contract (including clauses around continuity of employment) of CPL.

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36 Business Combinations (cont'd)

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of the Persuade Group as at the date of acquisition were:

	(₹ in million)
Particulars	Fair value recognised
Assets	
Non-current assets	
(a) Property, plant and equipment	4.66
(b) Intangible assets	471
(c) Intangible assets under development	-
(c) Right-of-use assets	1.11
Total (1)	476.77
Current assets	
(a) Financial assets	
(i) Trade receivables	119.05
(ii) Cash and cash equivalents	17.32
(iii) Other financial assets	5.46
Total (2)	141.83
(A) Total assets (1+2)	618.60
Non-current liabilities	
(a) Financial liabilities	
(i) Borrowings	11.42
Total (1)	11.42
Current liabilities	
(a) Financial liabilities	
(i) Lease liabilities	1.04
(ii) Trade payables	34.56
(iii) Other financial liabilities	14.26
(b) Other current liabilities	41.96
Total (2)	91.82
(B) Total liabilities (1+2)	103.24
Total identifiable net assets at fair value (A-B)	515.36
Acquired intangibles at fair value on the date of acquisition	471.00
Total identifiable net assets acquired on the date of acquisition	44.36
Deferred tax liability on intangibles and present value of purchase consideration payable	(129.75)
Goodwill on business acquisition (refer note (c) below)	1,472.72
Total Purchase Consideration	1,858.33

All other disclosures as required under Ind AS 103 are as follows -

- (i) no contingent liabilities have been recognised.
- (ii) there are no such transactions that are recognized separately from the acquisition of assets and assumption of liabilities in the business combination.
- (iii) the above business combination is a bargain-purchase.
- (iv) Goodwill is not tax deductible.

As on 31 March 2023, the Acquired Enterprises did not achieve the earn out condition mentioned in the Acquisition Agreement and hence the contingent consideration was no longer payable. The management of the Company, vide a Waiver and Consent Letter granted an agreed USD 0.83 million fully vested options of the Ultimate Holding Company and a cash payout of USD 0.38 million as a final settlement with the erstwhile shareholders and the investors of the Acquired Enterprises

The balance cash payout of USD 2.12 million (₹ 113.82) which is no longer payable has been written back to the Consolidated Statement of Profit and Loss as "Exceptional items" (Refer note 25).

There is no change in the consolidated financial statements towards the balance stock payable presented as "Contribution from Ultimate Holding Company" (refer note 10) which is no longer payable to the selling shareholders of the Acquired Enterprises.

(c) Impairment tests for goodwill

Impairment analysis was performed for the goodwill on consolidation. The recoverable amount was determined using value in use of the cash generating units. The recoverable amount exceeds the carrying value, accordingly no impairment charges were identified for year ended March 31, 2023 and March 31 2022

Following key assumptions were considered while performing impairment testing

Weighted Average Cost of Capital % (WACC)	28%
Perpetual growth rate	4%

The growth rates used to estimate future performance are based on the conservative estimates from past performance

The projections cover a period of five years, as we believe this to be the most appropriate time scale over which to review and consider annual performances before applying a fixed terminal value multiple to the final year cash flows.

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37 Statutory group information

No.	Country of incorporation	Relationship as at March 31, 2023	% of effective ownership interest held (directly & indirectly) and voting rights		Net assets, i.e., total assets minus total liabilities				Share in total comprehensive income				
					March 31, 2023		March 31, 2022		March 31, 2023		March 31, 2022		
					As % of consolidated net assets*	₹ in millions	As % of consolidated net assets*	₹ in million	As % of total comprehensive income*	₹ in Millions	As % of total comprehensive income*	₹ in million	
Name of the entity in the Group													
Parent Company													
1	India	Parent Company			123.25%	2,051.38	129.35%	1,502.26	95.89%	(904.53)	22.14%	(225.32)	
Foreign Subsidiaries													
2	Singapore	Subsidiary	100%	100%	152.94%	2,545.64	1.40	1,624.48	-6.66%	62.83	0.11	(115.40)	
3	UAE	Subsidiary	100%	100%	(39.56%)	(658.48)	(54.24%)	(629.94)	4.12%	(38.85)	22.74%	(231.50)	
4	China	Subsidiary	100%	100%	0.32%	5.38	1.54%	17.90	1.39%	(13.10)	0.88%	(8.98)	
5	Malaysia	Subsidiary	100%	100%	(4.89%)	(81.33)	(7.96%)	(92.46)	0.18%	(1.72)	4.92%	(50.03)	
6	Indonesia	Subsidiary	100%	100%	(2.96%)	(49.32)	(4.45%)	(51.65)	-0.03%	0.25	2.77%	(28.24)	
7	USA	Subsidiary	100%	100%	44.69%	743.82	8.95%	103.98	3.08%	(29.02)	(4.18%)	42.51	
8	USA	Subsidiary	100%	100%	0.00%	0.02	0.00%	0.02	0.00%	-	-	(0.01)	
Sub Total					100.00%	4,557.11	100.00%	2,474.59	100.00%	(1,211.10)	100.00%	(903.93)	
Consolidation adjustments/ eliminations**						(173.79%)	(2,892.68)	(113.07%)	(1,313.17)	(28.39%)	267.83	11.19%	(113.89)
Total					100.00%	1,664.43	100.00%	1,161.42	100.00%	(943.27)	100.00%	(1,017.82)	

* The figures have been considered from the respective financial statements.

** Consolidation adjustments/eliminations include intercompany eliminations and consolidation adjustments.

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38 The Parent 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, 2023 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 Special Purpose Interim Consolidated Financial Statements, particularly on the amount of tax expense and that of provision for taxation.

39 Other statutory information:

(i) The Parent Company has not advanced or loaned or invested funds to any person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding that the Intermediaries shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by on behalf of the Parent Company ("Ultimate Beneficiaries") or provide any guarantee, or security or the like on behalf of the Ultimate Beneficiaries, except for the following:

Name of the Intermediaries to which funds are advanced	Date of funds advanced	Amount of funds advanced	Date on which funds are invested by Intermediaries to the Ultimate Beneficiaries	Amount of funds further advanced to Ultimate Beneficiaries	Ultimate Beneficiaries
For the year ended March 31, 2022					
Capillary Pte. Ltd., Singapore	September 01, 2021	750.04	September 13, 2021	735.88	Refer note (a) below
			September 16, 2021	0.28	
	December 28, 2021	187.40	December 25, 2021	181.73	
For the year ended March 31, 2023					
Capillary Pte. Ltd., Singapore	March 29, 2023	659.28	March 31, 2023	659.28	Refer note (b) below

The Parent Company has complied with relevant provisions of the Foreign Exchange Management Act, 1999 (42 of 1999) and the Companies Act, 2013 for the above transactions and the transactions are not violative of the Prevention of Money Laundering Act, 2002 (15 of 2003)

Complete details of the Intermediaries and Ultimate Beneficiaries are given below.

Note (a) - Shareholders of Persuade Holdings Inc. (formerly known as 'Persuade Holdings LLC', USA and Capillary Technologies LLC, USA (formerly known as 'Persuade Loyalty LLC') are Ultimate Beneficiaries. Details of Ultimate Beneficiaries are mentioned below.

Ultimate Beneficiaries	Date	Amount	Date	Amount
John Tschida	September 13, 2021	247.06	December 25, 2021	59.84
William Jansen	September 13, 2021	136.58	December 25, 2021	33.29
Edward Bergmark	September 13, 2021	102.77	December 25, 2021	24.51
John O'Neil	September 13, 2021	51.30	December 25, 2021	15.47
Joe Doran	September 13, 2021	51.30	December 25, 2021	15.47
Schoeneckers, Inc.	September 13, 2021	51.63	December 25, 2021	11.60
Chris Montgomery	September 13, 2021	20.52	December 25, 2021	6.18
New Vantage Point, LLC	September 13, 2021	15.54	December 25, 2021	3.57
Justin Richie	September 13, 2021	11.54	December 25, 2021	3.48
Beth Bitney	September 13, 2021	5.13	September 13, 2021	1.55
Dan Young	September 13, 2021	5.13	September 13, 2021	1.40
Rich Blaaid	September 13, 2021	4.87	September 13, 2021	1.47
Wade Kallhoff	September 13, 2021	4.62	December 25, 2021	1.39
Jim Sturm	September 13, 2021	9.99	December 25, 2021	3.01
Kimberly Mosford	September 13, 2021	2.57	December 25, 2021	0.77
Alex Wefel	September 13, 2021	2.57	December 25, 2021	0.77
Brian Olsem	September 13, 2021	2.57	December 25, 2021	0.77
Warren Herreid	September 13, 2021	2.57	December 25, 2021	0.58
Don Smithmier	September 13, 2021	1.28	December 25, 2021	0.39
Ron Drenning	September 13, 2021	1.28	December 25, 2021	0.39
Pat Crews	September 13, 2021	0.64	December 25, 2021	0.19
Robbie Cordo	September 16, 2021	0.28	December 25, 2021	0.06
		731.75		186.14

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39 Other statutory information (cont'd):

Note (b) - Capillary Pte. Ltd., has invested in the shares of Capillary Technologies LLC, USA on March 30, 2023, which has further invested in acquisition of Brierley & Partners, Inc., The Ultimate Beneficiaries is Nomura Research Institute Holdings America, Inc.

(ii) The Parent Company has not received funds from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Parent Company shall, whether directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Parties ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries, except for the following:

Name of the Company who has advanced the funds	Date of funds received	Amount of funds received	Date on which funds are further advanced to other intermediary	Amount of funds further advanced to other intermediary	Other intermediary
For the year ended March 31, 2022					
Capillary Technologies International Pte. Ltd	August 31, 2021	520.11	September 01, 2021 December 28, 2021	750.04 187.40	Capillary Pte. Ltd. (Refer note (a) above)
For the year ended March 31, 2023					
Avataar Holdings	March 29, 2023	820.60	March 29, 2023	659.28	Capillary Pte. Ltd. And Capillary Technologies LLC (Refer note (b) above)

Name of the Company who has advanced the funds	Date of funds received	Amount of funds received	Date on which funds are further advanced to Ultimate	Amount of funds further advanced to Ultimate Beneficiary	Ultimate Beneficiary
Gameberry Labs Private Limited	November 29, 2022	250.00	December 02, 2022	230.06	Capillary Pte. Ltd.

Complete details of the Intermediaries and Funding Parties:

Name of the entity	Registered address	Government identification no:	Relationship with the Company
Capillary Pte. Ltd. (Intermediary)	68, Circular Road, # 02-01, Singapore - 049422	202125294W	Subsidiary
Capillary Technologies LLC (Intermediary)	222 N 2ND St Ste 200 Minneapolis, MN, 55401-1494 United States	710149300022	Subsidiary
Avataar Holdings (Funding Party)	Lot 15 A3, 1st Floor, Cybercity, Ebene 72201, Mauritius	177534	Shareholder of the
Capillary Technologies International Pte. Ltd. (Funding Party)	68, Raffles Place, 19-00, Singapore Land Tower, Singapore - 048623	201203442K	Holding Company

(iii) The Parent Company has no such transaction which is not recorded in the books of account that has been surrendered or disclosed as income during the period in the tax assessments under the Income-tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income-tax Act, 1961).

(iv) The Parent Company does not have any Benami property, where any proceeding has been initiated or pending against the Parent Company for holding any Benami property under the Benami Transactions (Prohibition) Act, 1988 and rules made thereunder.

(v) The Parent Company does not have any transactions with companies struck off during the year.

(vi) The Parent Company does not have any charges or satisfaction which is yet to be registered with Registrar of Companies beyond the statutory period other than those disclosed in note 13.

(vii) The Parent Company has not traded or invested in Crypto currency or Virtual Currency during the year ended March 31, 2023 and March 31, 2022.

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40 Events after the reporting period

A Acquisitions after the reporting period

Brierley Group

The Parent Company through its subsidiaries has entered into a stock purchase agreement dated March 30, 2023 to acquire 100% stake in Brierley & Partners Inc., and Brierley Europe Limited (collectively referred to as "Brierley Group") for a total consideration of USD 10 million, consisting primarily of cash. Brierley Group provides customer relationship management and loyalty products and services, including technology, marketing and strategy to global companies. The Parent Company has obtained control on April 01, 2023 upon satisfaction of customary closing conditions. The allocation of purchase price to goodwill and other acquired intangibles was not complete as on March 31, 2023. Consequently the financial Statements of Brierley Group has not been consolidated in these consolidated financial statements

Tenerity, LLC

The Parent Company through its subsidiary, Capillary Pte. Ltd. has entered into a asset purchase agreement dated May 4, 2023 to acquire Tenerity's Digital Connect assets for USD 3 million. The Tenerity's Digital Connect assets will drive loyalty management by bridging customer engagement and monetisation.

B Issue of equity shares

The Board of Directors of the Parent Company in their meeting dated June 22, 2023, has approved to offer and allot upto 8.15 million equity shares of face value ₹ 2 and premium of ₹ 306 per equity share on preferential offer in private placement basis. Out of this, 1.35 million equity shares were allotted till the date of issue of these consolidated financial statements.

41 Absolute amounts less than ₹ 5,000 are appearing in the Consolidated Financial Statements as "0.00" due to presentation in millions.

42 Certain amounts (currency value or percentages) shown in the various tables and paragraphs included in the Consolidated Financial Statements have been rounded off or truncated as deemed appropriate by the management of the Parent Company.

As per our report of even date.

For Walker Chandiok & Co LLP
Chartered Accountants
Firm's registration number: 001076N/N500013

For and on behalf of the Board of Directors of
Capillary Technologies India Limited
(formerly known as 'Capillary Technologies India Private Limited')

Aasheesh Arjun Singh
Partner
Membership No: 210122

Aneesh Reddy
Managing Director
DIN: 02214511

Sameer Garde
Executive Director and CEO
DIN: 06536413

Place: Bengaluru, India
Date: September 06, 2023

Anant Choubey
Executive Director, COO & CFO
DIN: 06536413
Place: Bengaluru, India
Date: September 06, 2023

G. Bhargavi Reddy
Company Secretary
Membership No: - A17091
Place: Bengaluru, India
Date: September 06, 2023