

**REPORT OF THE DIRECTORS**

**Your Directors present their Report together with the Audited Financial Statements for the year ended March 31, 2021.**

The Corporation is a wholly owned subsidiary of ITC Infotech India Limited, incorporated in India.

**Principal Activities**

The Corporation is engaged in providing information technology services to customers, majority of which are commercial entities throughout the United States of America.

**Financial Results (\*)**

(US \$ million)

Year Ended March 31,	2021	2020
Total Revenue	108.36	105.62
Operating Income	3.41	4.13
Profit / (Loss) After Tax	2.59	3.31

(\*) including Indivate Inc., a wholly owned subsidiary of the Corporation.

For the year under review, the Corporation declared and paid a dividend of US\$ 14 per Share (2020: US\$ 11) on 182,000 Common Shares-without par value aggregating US\$ 2.548 million (2020: US\$ 2.002 million).

**Business Review****Corporation**

For the year ended March 31, 2021, the Corporation posted total revenues of US\$ 107.93 million (\*\*) while the net profit after tax was US\$ 2.57 million (\*\*). While the Corporation saw muted IT services spend from some of its clients negatively impacted by COVID-19, the Corporation successfully overcame the disruptive impact of the pandemic on the back of strong growth in its strategic accounts in technology offerings such as Digital workplace, Digital experience, Testing and Application development and maintenance. During the year, the Corporation continued to strengthen its domain specific offerings and ecosystem of software vendor partnerships in areas such as Data analytics and Automation.

(\*\*) Standalone Results

**INDEPENDENT AUDITOR'S REPORT**

**To the Board of Directors of ITC Infotech (USA), Inc.**

We have audited the accompanying special-purpose financial statements of ITC Infotech (USA), Inc. (the "Company"), which comprise the special-purpose balance sheet as of March 31, 2021 and 2020, and the related special-purpose statements of operations and retained earnings and cash flows for the year then ended, and the related notes to the special-purpose financial statements.

**Management's Responsibility for the Special-Purpose Financial Statements**

Management is responsible for the preparation and fair presentation of these special-purpose financial statements in accordance with the basis described in Note B [1] to the special-purpose financial statements; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these special-purpose financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose financial statements. 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. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the special-purpose financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies

In the coming year, the focus will be on driving growth by scaling existing strategic accounts and on strengthening the Corporation's domain specific Business friendly solutions. The Corporation will also focus on strengthening its alliances and partnership ecosystem with ISV partners in emerging digital technologies.

Primary challenges seen by the Corporation are macro-economic headwinds due to a protracted recovery from the COVID-19 pandemic and volatility in the US dollar. The Corporation is well equipped to deal with these challenges and deliver a strong performance in the coming year.

**Wholly owned subsidiary - Indivate Inc.**

Indivate Inc. ("Indivate") provides market research, business development, consulting and other advisory services. The Corporation is also engaged in trading activities wherein the Corporation imports goods into the United States of America for distributing / marketing the same. During the year under review, Indivate recorded Revenue of US\$ 428,532 (2020: US\$ 502,082) and Net Profit of US\$ 21,571 (2020: US\$ 28,420).

**Directors**

Messrs. S. Puri, S. Sivakumar, B. B. Chatterjee, (Ms.) B. Parameswar, S. Singh and R. Tandon, Directors of the Corporation, will retire at the next Annual Meeting, and, being eligible, offer themselves for re-appointment.

**Auditors**

Messrs. Deloitte Haskins & Sells LLP, Chartered Accountants, India, Firm Registration Number 117366W/W-100018 (Deloitte India), were appointed as the Auditors of the Corporation to hold office until the conclusion of the next Annual Meeting for audit of the Financial Statements for the financial year 2020-21.

The Board has recommended for the approval of the Shareholders, the appointment of Deloitte India to conduct the audit of the Financial Statements of the Corporation for the financial year 2021-22.

Appropriate resolution seeking your approval in respect of the said appointment is included in the Notice convening the Annual Meeting of the Corporation for the year ended March 31, 2021.

**On behalf of the Board**

S. Sivakumar      S. Singh  
Vice Chairman      Director

Date: May 3, 2021

used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the special-purpose financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion on Special-Purpose Financial Statements**

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the financial position of ITC Infotech (USA), Inc. as of March 31, 2021 and 2020, and the results of its operations and its cash flows for the year then ended in accordance with the Basis of Presentation as described in Note B [1].

**Basis of Accounting**

We draw attention to Note B [1] of the special-purpose financial statements, which describes the basis of accounting. For the purpose of the special-purpose financial statements, the Company did not consolidate Indivate Inc., a wholly owned subsidiary. Accordingly, the accompanying special-purpose financial statements are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Emphasis of Matter**

As discussed in Note B [1] to the special-purpose financial statements, the Indian Rupee equivalent figures have been included in the special-purpose financial statements as required by the Parent company of ITC Infotech (USA), Inc. for informational purposes only, and is not a representation in conformity with principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Restriction on Use**

Our report is intended solely for the information and use of the Board of Directors and management of ITC Infotech (USA), Inc., ITC Infotech India Limited and ITC Limited and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte Haskins & Sells LLP  
Bengaluru, India  
Date: May 3, 2021

## SPECIAL PURPOSE BALANCE SHEET AS OF MARCH 31,

	2021	2021	2020	2020
	(US \$)	(₹)	(US \$)	(₹)
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	4,108,478	300,370,827	4,022,441	304,378,110
Accounts receivable, net of allowance for doubtful accounts of US \$1,238,514 (₹ 90,547,756) as of March 2021 and US \$2,458,124 (₹ 186,006,243) as of March 2020	27,706,699	2,025,636,764	29,145,133	2,205,412,214
Receivable from Indivate	–	–	2,642	199,920
Advances to employees	6,541	478,212	62,561	4,733,990
Total current assets	31,821,718	2,326,485,803	33,232,777	2,514,724,234
Property and Equipment	414,592	30,310,821	742,476	56,183,159
Less: Accumulated depreciation and amortization	375,796	27,474,446	652,453	49,371,119
	38,796	2,836,375	90,023	6,812,040
Right of Use Asset	464,737	33,976,922	560,452	42,409,403
Less: Accumulated Depreciation	285,992	20,908,875	150,972	11,424,051
	178,745	13,068,047	409,480	30,985,352
Investment in subsidiary (Indivate Inc.)	100,000	7,311,000	100,000	7,567,000
Deferred income taxes	1,886,520	137,923,477	2,428,823	183,789,036
Other assets, principally unsecured advances	924,451	67,586,613	797,156	60,320,795
	34,950,230	2,555,211,315	37,058,259	2,804,198,457
<b>Liabilities and Stockholder's Equity</b>				
<b>Current liabilities</b>				
Accounts payable	133,173	9,736,278	168,297	12,735,034
Accrued expenses and other current liabilities	8,493,975	620,994,512	8,074,045	610,962,984
Accrued payroll and payroll taxes	1,023,514	74,829,109	1,390,314	105,205,060
Due to ITC Infotech India Ltd., net	1,824,497	133,388,976	3,780,594	286,077,548
Total current liabilities	11,475,159	838,948,875	13,413,250	1,014,980,626
Non-current liabilities				
Lease Liability	39,068	2,856,261	229,813	17,389,950
Stockholder's equity				
Paid up Share Capital	18,200,000	1,330,602,000	18,200,000	1,377,194,000
Retained earnings	5,236,003	382,804,179	5,215,196	394,633,881
Total stockholder's equity	23,436,003	1,713,406,179	23,415,196	1,771,827,881
	34,950,230	2,555,211,315	37,058,259	2,804,198,457

Date: May 3, 2021      Soumyarup Roy      A Raghavapudi      On behalf of the Board  
 Financial Controller      President      S Singh      S Sivakumar  
 Director      Vice Chairman

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

## SPECIAL PURPOSE STATEMENTS OF OPERATIONS AND RETAINED EARNINGS FOR THE YEARS ENDED MARCH 31,

	2021	2021	2020	2020
	(US \$)	(₹)	(US \$)	(₹)
<b>Revenues</b>				
Sale of Services	107,311,500	7,845,543,765	104,983,974	7,944,137,313
Resale of Software and Hardware	622,728	45,527,644	133,221	10,080,833
Total revenues	107,934,228	7,891,071,409	105,117,195	7,954,218,146
Cost of revenues, principally employment costs and fees charged by affiliates	96,286,536	7,039,508,649	88,633,570	6,706,902,242
Gross profit	11,647,692	851,562,760	16,483,625	1,247,315,904
General and administrative expenses	8,244,731	602,772,283	12,365,742	935,715,697
Operating income	3,402,961	248,790,477	4,117,883	311,600,207
Other income	1	73	8,223	622,234
Income before interest and income tax expense	3,402,962	248,790,550	4,126,106	312,222,441
Interest Expense	11,684	854,217	28,611	2,164,994
Income before income tax expense	3,391,278	247,936,333	4,097,495	310,057,447
Income tax expense / (benefit)				
Current	280,167	20,483,009	581,354	43,991,057
Deferred	542,304	39,647,845	234,862	17,772,008
Total income tax expense	822,471	60,130,854	816,216	61,763,065
Net income	2,568,807	187,805,479	3,281,279	248,294,382
Retained earnings at beginning of year	5,215,196	381,282,980	3,935,917	297,830,838
Less : Dividend Paid	2,548,000	186,284,280	2,002,000	151,491,339
Retained earnings at end of year	5,236,003	382,804,179	5,215,196	394,633,881

Date: May 3, 2021      Soumyarup Roy      A Raghavapudi      On behalf of the Board  
 Financial Controller      President      S Singh      S Sivakumar  
 Director      Vice Chairman

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

## SPECIAL PURPOSE STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED MARCH 31,

	2021 (US \$)	2021 (₹)	2020 (US \$)	2020 (₹)
Cash flows from operating activities				
Net income	2,568,807	187,805,479	3,281,279	248,294,382
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortization	238,091	17,406,833	374,209	28,316,395
Deferred income taxes	542,304	39,647,845	234,862	17,772,008
Write off of Fixed Assets	(689)	(50,373)	(4,474)	(338,548)
Provision for Bad debt expense	(647,967)	(47,372,867)	1,775,543	134,355,339
(Increase) decrease in assets				
Accounts receivable	2,086,401	152,536,777	(5,264,531)	(398,367,061)
Receivable from Indivate	2,642	193,157	5,707	431,849
Advances to employees	56,019	4,095,549	6,526	493,822
Other assets, principally unsecured advances	(127,295)	(9,306,537)	1,186,267	89,764,824
Receivable from ITC Infotech India Ltd.	-	-	680,457	51,490,181
Increase (decrease) in liabilities				
Accounts payable	(35,122)	(2,567,769)	(521,698)	(39,476,888)
Accrued expenses and other liabilities	419,930	30,701,082	(1,364,879)	(103,280,394)
Accrued payroll and payroll taxes	(366,800)	(26,816,748)	79,821	6,040,055
Due to ITC Infotech Ltd. (UK), net	-	-	(70,132)	(5,306,888)
Due to ITC Infotech India Ltd., net	(1,956,097)	(143,010,252)	3,780,594	286,077,548
Lease Liability (Net Amount)	(146,187)	(10,687,732)	(469,622)	(35,536,297)
Net cash provided by operating activities	2,634,037	192,574,444	3,709,929	280,730,327
Cash flows from investing activities				
Capital expenditures	-	-	(25,173)	(1,904,841)
Net cash used in investing activities	-	-	(25,173)	(1,904,841)
Payout of Dividend	(2,548,000)	(186,284,280)	(2,002,000)	(151,491,339)
Net cash used in financing activities	(2,548,000)	(186,284,280)	(2,002,000)	(151,491,339)
Net increase / (decrease) in cash and cash equivalents	86,037	6,290,164	1,682,756	127,334,147
Cash and cash equivalents at beginning of year	4,022,441	294,080,663	2,339,685	177,043,963
Cash and cash equivalents at end of year	4,108,478	300,370,827	4,022,441	304,378,110

On behalf of the Board

Date: May 3, 2021

Soumyarup Roy  
Financial ControllerA Raghavapudi  
PresidentS Singh  
DirectorS Sivakumar  
Vice Chairman

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

## NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2021 AND 2020

## NOTE A - BUSINESS BACKGROUND AND PRINCIPAL TRANSACTIONS WITH AFFILIATES

ITC Infotech (USA), Inc. (the "Company"), a New Jersey corporation, is engaged in providing information technology services to customers, majority of which are commercial entities throughout the United States of America. The Company is a wholly-owned subsidiary of ITC Infotech India Ltd., an Indian company. There are 185,000 common shares authorized of which 182,000 have been issued, and are outstanding, to ITC Infotech India Ltd. ITC Infotech Ltd. is also a wholly-owned subsidiary of ITC Infotech India Ltd.

The Company has entered into an agreement with its parent company ITC Infotech India Ltd. on April 1, 2014 wherein the Company has agreed to sub-contract the execution and management of customer contracts to ITC Infotech India Ltd. Under the terms of this agreement, ITC Infotech India Ltd shall assume the overall execution and management responsibilities for such customer contracts.

## NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## [1] Basis of presentation:

As required by its parent company ITC Infotech India Ltd., the financial statements of the Company are not prepared in accordance with accounting principles generally accepted in the United States of America as the results of operations of its wholly-owned subsidiary Indivate were not included since the date of acquisition. Accordingly, these financial statements do not purport to follow US GAAP.

These financial statements are presented in U.S. dollars. However, as required by the parent company ITC Infotech India Ltd., the Indian Rupee equivalent figures, arrived at by applying the average interbank exchange rate of US\$1 = ₹ 73.11 for fiscal year ended March 31, 2021 (2020 US\$1 = ₹ 75.67) as provided by ITC Infotech India Ltd, have been included solely for informational purposes and is not in conformity with the provisions of FASB ASC 830-30 – Foreign Currency Matters – Translation of Financial Statements and U.S. GAAP.

## [2] Use of estimates:

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Although actual results could differ from those estimates, in the opinion of management such estimates would not materially affect the financial statements.

Estimation of uncertainties relating to the Global Health pandemic from COVID-19

The Company has considered the possible effects that may arise out of the still unfolding COVID-19 pandemic on the carrying amounts of trade receivables, unbilled revenues, investments, goodwill etc. For this purpose, the Company has considered internal and external sources of information up to the date of approval of these financial statements, including credit reports and related information, economic forecasts, market value of certain investments etc. The Company has also performed sensitivity analysis on the assumptions used, and based on current estimates, does not expect any significant impact on such carrying values.

## [3] Recognition of revenue:

Revenue is recognized at fair value of amounts received or receivable for products delivered and services rendered and is net of discounts, and excludes amounts collected on behalf of third parties, such as sales tax. Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration which the Company expects to receive in exchange for those products or services.

Revenue is recognized from services performed on a "time and material" basis, as and when the services are performed.

## NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2021 AND 2020 (Contd.)

Revenue is recognized from services performed on "time bound fixed-price engagements" based on efforts expended using the percentage of completion method of accounting, if work completed can be reasonably estimated. The cumulative impact of any revision in estimates of the percentage of work completed is reflected in the period in which the change becomes known. Provisions for estimated losses on such engagements are made during the period in which a loss becomes probable and can be reasonably estimated.

Revenue is recognized from trading in software packages / licenses / hardware upon delivery to customer.

Amounts received or billed in advance of services performed are treated as unearned revenue (contract liability). Unbilled revenue represents amounts recognized based on services performed in advance of billing in accordance with contract terms.

**[4] Cash and cash equivalents:**

For purposes of reporting cash flows, the Company considers all deposits in cash accounts which are not subject to withdrawal restrictions or penalties, and certificates of deposit with original maturities of ninety days or less, when purchased, to be cash or cash equivalents.

**[5] Accounts receivable:**

Credit is extended based on evaluation of a customer's financial condition and, generally, collateral is not required. Accounts receivable are generally due within 30 to 60 days and are stated at amounts due from customers net of an allowance for doubtful accounts. Accounts outstanding longer than the contractual payment terms are considered past due. The Company creates an allowance for accounts receivable based on historical experience and management's evaluation of outstanding accounts receivable. Amounts are written off when they are deemed uncollectible.

**[6] Property and Equipment:**

Equipment, purchased or internally developed software, furniture and fixtures and leasehold improvements are stated at cost. Depreciation and amortization is provided under the straight line method based upon the estimated useful lives of the assets, with such lives ranging up to five years.

**[7] Leases**

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

As a Lessee

Right – of – Use (ROU) Assets are recognized at inception of a contract or arrangement for significant lease components at cost less lease incentives, if any. ROU Assets are subsequently measured at cost less accumulated depreciation and impairment losses, if any. The cost of ROU Assets includes the amount of lease liabilities recognized, initial direct cost incurred, and lease payments made at or before the lease commencement date. ROU Assets are generally depreciated over the shorter of the lease term and estimated useful lives of the underlying assets on a straight-line basis. Lease term is determined based on consideration of facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Lease payments associated with short-term leases are charged to the Statement of Operations on a straight-line basis over the term of the relevant lease.

The Company recognizes lease liabilities measured at the present value of lease payments to be made on the date of recognition of the lease. Such lease liabilities do not include variable lease payments (that do not depend on an index or a rate), which are recognized as expense in the periods in which they are incurred. Interest on lease liability is recognized using the effective interest method. Lease liabilities are subsequently increased to reflect the accretion of interest and reduced for the lease payments made. The carrying amount of lease liabilities are also remeasured upon modification of lease arrangement or upon change in the assessment of the lease term. The effect of such remeasurements is adjusted to the value of ROU Assets.

As a Lessor

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Where the Company is a lessor under an operating lease, the asset is capitalized within property, plant and equipment or investment property and depreciated over its useful economic life. Payments received under operating leases are recognized in the Statement of Operations on a straight-line basis over the term of the lease.

The amount of ROU Asset and Lease Liabilities recognized in the Balance Sheet are disclosed in Note F. The total cash outflow for leases for the year is US \$ 234,989 (₹ 17,180,013) (including payments in respect short-term leases of US \$ 38,146 (₹ 2,788,845))

**[8] Income taxes:**

The Company accounts for income taxes pursuant to ASC 740, *Income Taxes* ("ASC 740"). ASC 740 requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Future tax benefits, such as net operating loss carry forwards, are recognized to the extent that realization of these benefits is considered to be more likely than not. If the future realization of such benefits is uncertain, then a valuation allowance is recorded.

The Company provides for income tax in accordance with the FASB issued ASC 740-10, *Income Taxes* ("ASC 740-10"). ASC 740-10 provides recognition criteria and a related measurement model for uncertain tax positions taken or expected to be taken in income tax returns. ASC 740-10 requires that a position taken or expected to be taken in a tax return be recognized in the financial statements when it is more likely than not that the position would be sustained upon examination by tax authorities. Tax positions, that meet the more likely than not threshold, are then measured using a probability-weighted approach recognizing the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement.

There were no significant matters determined to be unrecognized tax benefits taken or expected to be taken in a tax return that have been recorded in the Company's consolidated financial statements for the year ended March 31, 2021. The Company's Federal and State tax returns are subject to examination by taxing authorities for the years ended March 31, 2018 and after.

**[9] Advertising costs:**

Advertising costs are expensed as incurred.

**[10] Long-lived assets:**

The Company follows ASC 360, Property, Plant and Equipment. Accordingly, whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable, the Company assesses the recoverability of the asset. Based on our evaluation, no impairment charge has been recorded in fiscal years ended March 31, 2021 or 2020.

**[11] Fair value measurements:**

The Company's financial instruments include cash and cash equivalents, accounts receivable from customers, advances, other assets, accounts payable, and accruals, which are short-term in nature. The Company believes the carrying amounts of these financial instruments reasonably approximate their fair value.

ASC 820 Fair Value Measurements ("ASC 820") defines fair value, establishes a common framework for measuring fair value under the U.S. GAAP, and expands disclosures about fair value measurements for financial and non-financial assets and liabilities.

**[12] Capitalized software costs:**

Costs incurred for development of computer software for internal use of the Company are capitalized. Any costs incurred in the preliminary stages of development and in the operating stages of the software are expensed immediately. There were no such costs capitalized in fiscal years ended March 31, 2021 or 2020.

**[13] Summary of recent accounting pronouncements:**

In June 2016, FASB issued ASU No. 2016-13, Financial Instruments – Credit Losses, which require a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is to be deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset. The new guidance is effective for fiscal years beginning after December 15, 2021. The amendment should be applied through a modified retrospective approach. Early adoption as of the fiscal years beginning after December 15, 2018 is permitted. The Company does not expect the adoption of this ASU to have a material effect on its financial position or results of operations.

**[14] Reclassifications:**

Certain prior year amounts have been reclassified to conform to the current year presentation.



## NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2021 AND 2020 (Contd.)

## NOTE C - RELATED PARTY TRANSACTIONS

The Company had transactions with the following parties :

	2021 (US \$)	2021 (₹)	2020 (US \$)	2020 (₹)
Transactions with ITC Infotech India Ltd				
Costs for project consultations / other expenses, included in cost of revenues / general and administrative expenses	56,671,120	4,143,225,583	40,615,504	3,073,375,202
Dividend Paid	2,548,000	186,284,280	2,002,000	151,491,340
Transactions with ITC Infotech Ltd				
Costs for project consultations / other expenses, included in cost of revenues / general and administrative expenses	68,205	4,986,468	66,242	5,012,536
Transactions with Technico Technologies Inc.				
Costs for project consultations / other expense reimbursements, included in cost of revenues / general and administrative expenses	279,026	20,399,591	143,254	10,840,049
Transactions with ITC Limited				
Reimbursement of advances paid	-	-	8,522	644,871
Reimbursement of advances received	-	-	234,542	17,747,776
Transactions with Indivate				
Other expense reimbursements from Indivate included as a reduction in cost of revenues / general and administrative expenses	5,026	367,451	20,949	1,585,211

There was no amount receivable/ payable to Technico Technologies (fellow subsidiary of ultimate parent, ITC Limited) and ITC Infotech Ltd. as on 31st March, 2021 and 31st March, 2020 respectively. The receivable/ payable amount as on 31st March, 2021 and 31st March, 2020 for the other related parties have been disclosed in the Balance Sheet.

## NOTE E - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	Estimated useful lives (Years)	31-Mar-21 (US \$)	31-Mar-21 (₹)	As of 31-Mar-20 (US \$)	As of 31-Mar-20 (₹)
Leasehold Improvements	4	26,074	1,906,270	26,074	1,973,020
Office Equipment	4	43,136	3,153,673	98,944	7,487,092
Computers etc.	4	212,318	15,522,569	463,575	35,078,720
Furniture and Fixtures	4	131,421	9,608,189	152,240	11,520,001
Capitalised Software	5	1,643	120,120	1,643	124,326
		414,592	30,310,821	742,476	56,183,159
		(375,796)	(27,474,446)	(652,453)	(49,371,119)
		38,796	2,836,375	90,023	6,812,040

Less: Accumulated depreciation

## Property and Equipment, net

The depreciation expense recognized in the Statement of Operations is as follows:

	FY 2020-21 (US \$)	FY 2020-21 (₹)	FY 2019-20 (US \$)	FY 2019-20 (₹)
Depreciation expense	51,226	3,745,122	78,964	5,975,196

## NOTE F - LEASES

Right of use asset:

	31-Mar-21 (US \$)	31-Mar-21 (₹)	As on 31-Mar-20 (US \$)	As on 31-Mar-20 (₹)
Right of use asset - Buildings	464,737	33,976,922	560,452	42,409,403
	464,737	33,976,922	560,452	42,409,403
Less: Accumulated depreciation	(285,992)	(20,908,875)	(150,972)	(11,424,051)
Right of use asset, net	178,745	13,068,047	409,480	30,985,352

Lease Liability:

	31-Mar-21 (US \$)	31-Mar-21 (₹)	As on 31-Mar-20 (US \$)	As on 31-Mar-20 (₹)
Lease Liability				
Current	150,189	10,980,289	189,161	14,313,782
Non - Current	39,068	2,856,261	229,813	17,389,950
	189,257	13,836,550	418,974	31,703,732
Impact for the period				
	FY 2020-21 (US \$)	FY 2020-21 (₹)	FY 2019-20 (US \$)	FY 2019-20 (₹)
Depreciation expense	186,865	13,661,700	295,246	22,341,265
Interest on Lease Liability	11,684	854,217	28,611	2,164,994
	198,549	14,515,917	323,857	24,506,259

## NOTE D - ACCOUNTS RECEIVABLE

Accounts receivable as on March 31, 2021 of US \$ 27,706,699 (₹ 2,025,636,764) and March 31, 2020 of US \$ 29,147,775 (₹ 2,205,612,134) includes both billed and unbilled receivables. Unbilled receivables were approximately US \$ 9,423,707 (₹ 688,967,239) and US \$ 10,455,515 (₹ 791,168,821) as of March 31, 2021 and 2020, respectively.

Unbilled Revenue consist of the following:

Particulars	2021 (US \$)	2021 (₹)	2020 (US \$)	2020 (₹)
Time & Material and others	8,638,379	631,551,902	9,068,459	686,210,293
Fixed Price contracts based on % Completion	785,328	57,415,337	1,387,056	104,958,528
Total	9,423,707	688,967,239	10,455,515	791,168,821

Changes in the allowance for doubtful accounts in 2021 and 2020 are as follows:

	2021 (US \$)	2021 (₹)	2020 (US \$)	2020 (₹)
Beginning balance	2,458,124	179,713,446	1,175,099	88,919,741
Increase / (Decrease) to allowance	(647,967)	(47,372,867)	1,767,374	133,737,191
Accounts written off	571,643	41,792,823	484,349	36,650,689
Ending balance	1,238,514	90,547,756	2,458,124	186,006,243

## NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2021 AND 2020 (Contd.)

**NOTE G - INCOME TAXES**

The income taxes expense consists of the following:

	2021 (US \$)	Year ended 2021 (₹)	2020 (US \$)	2020 (₹)
Federal Taxes				
Current	226,025	16,524,688	487,145	36,862,262
Deferred	462,670	33,825,803	196,312	14,854,929
State and local taxes				
Current	54,142	3,958,321	94,209	7,128,795
Deferred	79,634	5,822,042	38,550	2,917,079
Total current expense	822,471	60,130,854	816,216	61,763,065

Deferred tax assets and liabilities consist of the following:

	2021 (US \$)	2021 (₹)	2020 (US \$)	2020 (₹)
Provision for Doubtful Debts	298,468	21,820,995	592,348	44,822,973
Depreciation under State Taxes	5,748	420,236	4,769	360,870
Depreciation under Federal Taxes	(8,782)	(642,052)	(18,371)	(1,390,134)
Accrued vacation	361,567	26,434,164	369,453	27,956,509
Accrued bonus	654,583	47,856,563	591,815	44,782,641
Amortization of intangible assets and goodwill	178,062	13,018,113	411,589	31,144,940
ESOS Expense	232,078	16,967,223	251,200	19,008,304
Prepaid Expenses	(24,424)	(1,785,639)	(20,210)	(1,529,291)
Foreign tax credit carry-over	185,412	13,555,471	242,667	18,362,612
Lease Depreciation and Interest	3,808	278,403	3,563	269,612
	1,886,520	137,923,477	2,428,823	183,789,036

**NOTE H – UNEARNED SALES**

Unearned Sales consist of amounts received or billed in advance of services performed. Unearned Sales have been reflected under in the Balance Sheet under Other current liabilities in the amount of US \$ 510,813 (₹ 37,345,533) and US \$ 92,185 (₹ 6,975,639) as at March 31, 2021 and 2020, respectively.

Revenue recognized in FY 2020-21 that was included as Unearned Sales balance at the beginning of the FY 2020-21 was US \$ 67,435 (₹ 4,930,173).

**NOTE I - CONCENTRATION OF CREDIT RISK AND SIGNIFICANT CUSTOMERS**

A significant portion of the Company's sales are to several key customers, some of which are also agencies providing software consulting services to commercial entities and software developers. Three such key customers

accounted for approximately 23% (9%, 8% and 6%) and approximately 16% (7%, 5% and 4%) of the Company's revenues for the years ended March 31, 2021 and 2020, respectively. Accounts receivable from these customers approximated 21 % (7%, 4%, 10%) and 15 % (11%, 3%, 1%) of total accounts receivable as at March 31, 2021 and 2020, respectively. Additionally, one customer accounted for 7% of the accounts receivables as of March 31, 2021 and two customers accounted for 9% (5% and 4%) of the accounts receivables as of March 31, 2020 that did not account under revenue concentration.

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash deposits. Accounts at each financial institution are insured by the Federal Deposit Insurance Corporation up to regulatory limits. The Company has not experienced any losses in such accounts.

**NOTE J - EMPLOYEES STOCK BASED COMPENSATION**

Certain employees of the Company are covered under the stock option plans of the Company's ultimate Parent, ITC Limited. These plans are assessed, managed and administered by the Holding Company of ITC Infotech India Ltd. Fair value of such stock options is calculated using the Black Scholes pricing model at the grant date. Expense related to these stock options have been reflected in the statement of operations in the amount of (-) US \$84,381 [(-) ₹ 6,169,095] and US \$64,495 (₹ 4,880,306) for the Fiscal Year 2020-21 and 2019-20 respectively.

**NOTE K - EMPLOYEE BENEFIT PLANS**

The Company maintains a 401(k) Savings Plan for qualified employees. Employees who are eligible, as defined by the plan documents, may contribute an amount not to exceed 100% of participant's compensation, up to the maximum annual elective contribution established by the Internal Revenue Service. The Company makes a Safe Harbor Matching Contribution equal to 100% on the first 3% of eligible earnings that are deferred as Elective Deferral and an additional 50% on the next 2% of eligible earnings. The 401(k) expense for the years ended March 31, 2021 and 2020 was US \$584,300 (₹ 42,718,193) and US \$679,963 (₹ 51,452,834), respectively.

**NOTE L - SUBSEQUENT EVENTS**

The Company evaluated subsequent events through May 3, 2021 which is the date on which the Financial Statements are issued. Based on this evaluation, the Company is not aware of any other events or transactions that would require recognition or disclosure in the financial statements.