1 Company overview

Mastek Limited (the 'Company') is a public limited company domiciled in India and is listed on the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE). The Company is a provider of vertically-focused enterprise technology solutions.

The portfolio of the Company's offerings includes business and technology services comprising of Application Development, Application Maintenance, Business Intelligence and Data Warehousing, Testing & Assurance and Legacy Modernisation. The Company carries out its operations in India and has its software development centres in India at Mumbai, Pune, Chennai and Mahape.

2 Basis of Preparation and Presentation

a. Statement of Compliance

These financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016, as applicable.

These standalone financial statements of the Company(financial statements) as at and for the year ended March 31, 2021 were approved and authorized by the Company's board of directors on April 28, 2021.

All amounts included in the financial statements are reported in Indian rupees (in lakhs) except share and per share data, unless otherwise stated and "0" denotes amounts less than one lakh rupees.

b. Basis of Preparation

The financial statements have been prepared on a historical cost convention and on an accrual basis, except for the following material items that have been measured at fair value as required by relevant Ind AS:

i. Derivative financial instruments;

ii. Certain financial assets and liabilities measured at fair value;

iii. Share based payment transactions and

iv. Defined benefit and other long-term employee benefits

All the assets and liabilities have been classified as current and non-current as per the company's normal operating cycle which does not exceed 12 months.

c. Use of estimate and judgement

The preparation of standalone financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on a periodic basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the standalone financial statements is included in the following notes:

(i) Revenue recognition: The Company applies the percentage of completion method in accounting for its fixed price contracts. Use of the percentage of completion method requires the Company to estimate the efforts or costs expended to date as a proportion of the total efforts or costs to be expended. Efforts or costs expended have been used to measure progress towards completion as there is a direct relationship between input and productivity. Provisions for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the expected contract estimates at the reporting date.

(ii) Income taxes: Significant judgments are involved in determining the provision for income taxes, including judgement on whether tax provisions are probable of being sustained in tax assessments. A tax assessment can involve complex issues, which can only be resolved over extended time periods.

(iii) Defined benefit plans and compensated absences: The cost of the defined benefit plans, compensated absences and the present value of the defined benefit obligations are based on actuarial valuation using the projected unit credit method. 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.

(iv) Property, plant and equipment: Property, plant and equipment represents a significant proportion of the asset base of the Company. The charge in respect of periodic depreciation is derived after determining an estimate of an assets expected useful life and the expected residual value at the end of its life. The useful lives and residual values of the Company's assets are determined by the management at the time the asset is acquired and reviewed periodically, including at each financial year end. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology.

(v) Expected credit losses on financial assets: On application of Ind AS 109, the impairment provisions of financial assets are based on assumptions about risk of default and expected timing of collection. The Company uses judgments in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history of collections, customer's credit-worthiness, existing market conditions as well as forward looking estimates at the end of each reporting period.

(vi) Deferred taxes: Deferred tax is recorded on temporary differences between the tax bases of assets and liabilities and their carrying amounts, at the rates that have been enacted or substantively enacted at the reporting date. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable profits during the periods in which those temporary differences and tax loss carry forwards become deductible. The Company considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment. The amount of the deferred tax assets considered realisable, however, could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced.

(vii) Provisions: Provision is recognised when the Company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions (excluding retirement obligation and compensated expenses) are not discounted to its present value and are determined based on best estimate required to settle obligation at the balance sheet date. These are reviewed at each balance sheet date adjusted to reflect the current best estimates.

(viii) Share-based payments: At the Grant date, fair value of options granted to employees is recognised as employee expense, with corresponding increase in equity, over the period that the employee become unconditionally entitled to the option. The increase in equity recognised in connection with share based payment transaction is presented as a separate component in equity under share option outstanding account. The amount recognised as expense is adjusted to reflect the impact of the revision in estimates based on number of options that are expected to vest, in the statement of profit and loss with a corresponding adjustment to equity.

(ix) Leases: Determining the lease term of contracts with renewal and termination options – Company as lessee Ind AS 116 requires the lessee to determine the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several 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).

When it is reasonably certain to exercise extension option and not to exercise termination option, the Company includes such extended term and ignore termination option in determination of lease term.

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 Company has taken indicative rates from its bankers and used them for Ind AS 116 calculation purposes.

(x) Estimation uncertainties relating to the Pandemic - COVID -19: The Company has considered the possible effects that may result from the pandemic relating to COVID-19 on the carrying amounts of receivables, unbilled revenues and investment in subsidiaries. The Company also assess the effectiveness of hedge transactions and believes that probability of occurrence of the forecasted transaction is not impacted by the pandemic. In developing the assumptions relating to the possible future uncertainties in the global economic conditions because of this pandemic, the Company, as at the date of approval of these financial statements has used internal and external sources of information including credit reports, related information and economic forecasts. The Company has performed sensitivity analysis on the assumptions used and based on current estimates expects that the carrying amount of these assets will be recovered. The impact of COVID-19 on the Company's financial statements may differ from that estimated as at the date of approval of these financial statements and the Company will continue to closely monitor any material changes to future economic conditions.

d. Summary of Significant accounting policies

(i) Functional and Presentation Currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (i.e. the functional currency). The financial statements are presented in Indian Rupee, the national currency of India, which is the functional currency of the Company.

(ii) Foreign currency transactions and balances

Foreign currency transactions of the Company and of its integral foreign branch are accounted at the exchange rates prevailing on the date of the transaction. Monetary assets and liabilities are translated at each reporting date based on the rate prevailing on such date. Gains and losses resulting from the settlement of foreign currency monetary items and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Profit and Loss. Non-monetary assets and liabilities are continued to be carried at rates of initial recognition.

(iii) Financial instruments

A. Initial Recognition and Measurement

The Company recognises financial assets and liabilities when it becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are recognised at fair value on initial recognition, except for trade receivables which are initially measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities that are not measured at fair value through profit or loss are added to the fair value on initial recognition. Regular purchase and sale of financial assets are recognised on the trade date.

B. Subsequent Measurement

1. Non-Derivative Financial Instruments
   a. Financial Assets Carried at Amortised Cost

      A financial asset is subsequently measured at amortised cost if it is held within a business model whose objective is to hold the asset 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.

   b. Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI)

      A financial asset is subsequently measured at fair value through other comprehensive income if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling 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.

The Company has made an irrevocable election to present subsequent change in the fair value of certain mutual funds in Other Comprehensive Income.

c. **Financial Assets at Fair Value Through Profit or Loss (FVTPL)**
A financial asset which is not classified in any of the above categories are subsequently fair valued through profit or loss.

d. **Financial liabilities**
Financial liabilities are subsequently carried at amortised cost using the effective interest method. 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.

e. **Derivative Instruments**
The Company holds derivative financial instruments such as foreign exchange forward contracts to mitigate the risk of changes in exchange rates on foreign currency exposures. The counterparty for these contracts is generally a bank. These derivative instruments are designated as cash flow hedges.

The Hedge accounting is discontinued when the hedging instrument are expired or sold, terminated or no longer qualifies for hedge accounting. The cumulative gain/loss on the hedging instruments recognised in hedging reserve, till the period hedge was effective, remains in cash flow hedging reserve until the forecasted transaction occurs. The cumulative gain/loss previously recognised in the cash flow hedging reserve is transferred to profit and loss upon the occurrence of related forecasted transactions.

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised in other comprehensive income and presented within equity in the cash flow hedging reserve to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the statement of profit and loss.

C. Derecognition of Financial Instruments

The Company derecognises a financial asset when the contractual right to receive the cash flows from the financial asset expire or it transfers the financial asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Offsetting of financial instruments: Financial assets and financial liabilities are offset and the net amount is reported in the 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.

(iv) Property, Plant and Equipment (PPE)

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment, if any. Costs directly attributable to acquisition are capitalised until the property, plant and equipment are ready for use, as intended by management.

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 is included in the Statement of Profit or Loss when the asset is derecognised.

The Company depreciates property, plant and equipment over their estimated useful lives using the straight-line method. The estimated useful lives of assets are as follows:

Category	Useful Life
Building	25 - 30 years
Computers	2 - 4 years
Plant and equipment	2 - 5 years
Furniture and fixtures	5 years
Office equipment	5 years
Vehicles	4 - 5 years
Leasehold improvement	5 years or the primary period of lease whichever is less
Leasehold land	Lease Term ranging from 95-99 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date. Depreciation on addition/disposals is calculated pro-rata from the date of such additions/disposals.

(v) Intangible assets

Intangibles assets are stated at cost less accumulated amortisation and impairment, if any. Intangible assets are amortised over their respective estimated useful lives on a straight line method. The estimated useful life reflects the manner in which the economic benefit is expected to be generated from that individual intangible asset.

The estimated useful life of amortisable intangibles are reviewed and where appropriate are adjusted, annually.

The estimated useful lives of the amortisable intangible assets for the current and comparative periods are as follows:

Category	Useful Life
Computer Software	1 - 5 years

(vi) Leases

The Company has applied Ind AS 116 with effect from April 1, 2019 using the modified retrospective approach and therefore the comparative information was not restated and continued to be reported under Ind AS 17.

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.

i. 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 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.

ii. 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 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 the lease.

Variable lease payments that do not depend on an index or a rate are recognised as expenses 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.

iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (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 laptops, lease-lines and office furniture and 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.

As a lessor:

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(vii) Impairment of Assets

a. Non Financial Assets

Intangible assets and property, plant and equipment are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the Cash Generating Unit to which the asset belongs.

If such assets are considered to be impaired, the impairment to be recognised in the Statement of Profit and Loss is measured by the amount by which the carrying value of the assets exceeds the estimated recoverable amount of the asset. An impairment loss is reversed in the statement of profit and loss if there has been a change in the estimates used to determine the recoverable amount. The carrying amount of the asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

b. Financial instrument

The Company recognise loss allowances using the expected credit loss (ECL) model for financial assets. Loss allowances for trade receivables with no significant financing component is measured at an amount equal to lifetime ECL. For all other financial assets, expected credit losses are measured at an amount equal to the 12 month expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

(viii) Employee benefits

A. Long Term employee benefits

(a) Defined contribution plan

The Company has defined contribution plans for post employment benefits in the form of provident fund, employees' state insurance, labour welfare fund and superannuation fund in India which are administered through Government of India and/or Life Insurance Corporation of India (LIC). Under the defined contribution plans, the Company has no further obligation beyond making the contributions. Such contributions are charged to the Statement of Profit and Loss as incurred.

(b) Defined Benefit Plan

The Company has defined benefit plans for post employment benefits in the form of gratuity for its employees in India. The gratuity scheme of the Company is administered through Life Insurance Corporation of India (LIC). Liability/asset for defined benefit plans is recognised on the basis of actuarial valuations, as at the Balance Sheet date, carried out by an independent actuary which is the net of the present value of defined obligation and the fair value of plan assets. The actuarial valuation method used by independent actuary for measuring the liability is the projected unit credit method.

Actuarial gains or losses are recognised in other comprehensive income. Further, the profit or loss does not include an expected return on plan assets. Instead net interest recognised in profit or loss is calculated by applying the discount rate used to measure the defined benefit obligation to the net defined benefit liability or asset. The discount rate used is with reference to the market yields on government bonds for a term approximating with the term of the related obligation.The actual return on the plan assets above or below the discount rate is recognised as part of re-measurement of net defined liability or asset through other comprehensive income. Remeasurements comprising of actuarial gains or losses and return on plan assets (excluding amounts included in net interest on the net defined benefit liability) are not reclassified to profit or loss in subsequent periods.

(c) Other long-term employee benefits

The employees of the Company are also entitled for other long-term benefit in the form of compensated absences as per the policy of the Company. Employees are entitled to accumulate leave balance up to the upper limit as per the Company's policies which can be carried forward perpetually. Leave encashment for employees gets triggered on an annual basis, if the accumulated leave balance exceeds the upper limit of leave. Further, at the time of retirement, death while in employment or on termination of employment, leave encashment vests equivalent to salary payable for number of days of accumulated leave balance. Liability for such benefits is provided on the basis of actuarial valuations, as at the Balance Sheet date, carried out by an independent actuary using the projected unit credit method.

B) Short-term employee benefits

The undiscounted amount of short term employee benefits expected to be paid in exchange for the services rendered by employees is recognised in the year during which the employee rendered the services. These benefits comprise compensated absences such as paid annual leave and performance incentives.

C) Termination benefits

Termination benefits, including those in the nature of voluntary retirement benefits or those arising from restructuring, are recognised in the Statement of Profit and Loss when the Company has a present obligation as a result of past event, when a reliable estimate can be made of the amount of the obligation and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations.

(ix) Share based payments

The Company determines the compensation cost based on the fair value method in accordance with Ind AS 102 Share Based Payment. The Company grants options to its employees which will be vested in a graded manner and are to be exercised within a specified period. The compensation cost is amortised on a graded basis over the vesting period. The share based compensation expense is determined based on the Company's estimate of equity instrument that will eventually vest.

The amounts recognised in share options outstanding account are transferred to share capital and securities premium upon exercise of stock options by employees. Where employee stock options lapse after vesting, an amount equivalent to the cumulative cost for the lapsed option is transferred from 'Shares options outstanding account' to retained earnings.

(x) Provisions & Contingent Liabilities

Provisions are recognised when the Company has a present obligation as a result of past events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. A disclosure for a contingent liability is made where there is a possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from the past events where it is either not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount cannot be made. Provisions are reviewed regularly and are adjusted where necessary to reflect the current best estimates of the obligation. Where the Company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset, only when such reimbursement is virtually certain.

(xi) Revenue recognition

The Company derives revenue primarily from Information Technology services which includes IT Outsourcing services, support and maintenance services. The Company recognises revenue over time, over the period of the contract, on transfer of control of deliverables (solutions and services) to its customers in an amount reflecting the consideration to which the Company expects to be entitled. To recognise revenues, Company applies the following five step approach: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognise revenues when a performance obligation is satisfied.

Company accounts for a contract when it has approval and commitment from all parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable.

Fixed Price contracts related to Application development, consulting and other services are single performance obligation or a stand-ready performance obligation, which in either case is comprised of a series of distinct services that are substantially the same and have the same pattern of transfer to the customer (i.e. distinct days or months of service). Revenue is recognised in accordance with the methods prescribed for measuring progress i.e. percentage of completion method. Percentage of completion is determined based on project costs incurred to date as a percentage of total estimated project costs required to complete the project. The cost expended (or input) method has been used to measure progress towards completion as there is a direct relationship between input and productivity. The estimates are evaluated at every reporting period and that the revision on account of changes in estimates are recognised prospectively in the period in which the changes are affected. Revenues relating to time and material contracts are recognised as the related services are rendered.

Multiple element arrangements-

In contracts with multiple performance obligations, Company accounts for individual performance obligations separately if they are distinct and allocate the transaction price to each performance obligation based on its relative standalone selling price out of total consideration of the contract. Standalone selling price is determined utilizing observable prices to the extent available. If the standalone selling price for a performance obligation is not directly observable, Company uses expected cost plus margin approach.

IT support and maintenance-

Contracts related to maintenance and support services are either fixed price or time and material. In these contracts, the performance obligations are satisfied, and revenues are recognised, over time as the services are provided. Revenue from maintenance contracts is recognised rateably over the period of the contract because the Company transfers the control evenly by providing standard services.

The term of the maintenance contract is usually one year. Renewals of maintenance contracts create new performance obligations that are satisfied over the term with the revenues recognised rateably over the term.

Contracts may include incentives, service penalties and rewards. The Company includes an estimate of the amount it expects to receive for the total transaction price if it is probable that a significant reversal of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is resolved.

Any modification or change in existing performance obligations is assessed whether the services are added to the existing contracts or not. The distinct services are accounted for as a new contract and services which are not distinct are accounted for on a cumulative catch-up basis.

Trade Receivable, net is primarily comprised of billed and unbilled receivables (i.e. only the passage of time is required before payment is due) for which the company has an unconditional right to consideration, net of an allowance for doubtful accounts. A contract asset is a right to consideration that is conditional upon factors other than the passage of time. Contract assets are presented in Other current assets in the financial statements and primarily relate to unbilled amounts on fixed-price contracts utilizing the cost to cost method i.e. percentage of completion method (POCM) of revenue recognition. Contract liabilities consist of advance payments and billings in excess of revenues recognised.

The difference between opening and closing balance of the contract assets and liabilities results from the timing differences between the performances obligation and customer payments.

Cost to fulfil the contracts- Recurring operating costs for contracts with customers are recognised as incurred. Revenue recognition excludes any government taxes but includes reimbursement of out of pocket expenses.

Provision of onerous contract are recognised when the expected benefits to be derived by the company from a contract are lower than the unavoidable cost of meeting the future obligations under the contract. The provision is measured at present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

The Company has evaluated the impact of COVID-19 resulting from (i) the possibility of constraints to render services which may require revision of estimated costs to complete the contract because of additional efforts; (ii) onerous obligations; (iii) penalties relating to breaches of service-level agreements, and (iv) termination or deferment of contracts by customers. The Company has concluded that the impact of COVID-19 is not material based on these estimates. Due to the nature of the pandemic, the Company will continue to monitor developments to identify significant uncertainties relating to revenue in future periods.

(xii) Income Tax

Tax expense for the year comprises of current tax and deferred tax. Current tax is measured by the amount of tax expected to be paid to the taxation authorities on the taxable profits after considering tax allowances and exemptions and using applicable tax rates and laws. Deferred tax is recognised on timing differences between the accounting base and the taxable base for the year and quantified using the tax rates and tax laws enacted or substantively enacted as on the Balance Sheet date.

Significant judgements are involved in determining the provision for income taxes including judgement on whether tax position are probable of being sustained in tax assessments A tax assessment can involve complex issues which can only be resolved over extended time periods The recognition of taxes which are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances. Though the Company has considered all theses issues in estimating it's income taxes, there could be an unfavourable resolution of such issues that may affect results of Company's operations.

Deferred income tax asset is recognised using the balance sheet approach. Deferred income tax assets and liabilities are recognised for deductible and taxable temporary differences arising between the tax base of assets and liabilities and their carrying amount in financial statements, except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profits or loss at the time of the transaction.

Deferred income tax asset (including asset for Minimum Alternative Tax (MAT) credit) is recognised 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. Deferred income tax liabilities are recognised for all taxable temporary differences.

Current tax and deferred tax assets and liabilities are offset when there is a legally enforceable right to set off the recognised amount and there is an intention to settle the asset and liability on a net basis.

(xiii) Other Income

Other income comprises interest income on deposits, dividend income and gains / (losses) on disposal of investments except investments fair value through OCI. Interest income is recognised using the effective interest method. Dividend income is recognised when the right to receive payment is established.

(xiv) Finance/ Borrowing costs

Finance costs comprise interest cost on borrowings, gain or losses arising on re-measurement of financial assets at FVTPL, gains/ (losses) on translation or settlement of foreign currency borrowings and changes in fair value and gains/ (losses) on settlement of related derivative instruments. Borrowing costs that are not directly attributable to a qualifying asset are recognised in the statement of profit and loss using the effective interest method.

(xv) 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. 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 dilutive potential equity shares."

(xvi) Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposits with banks and other short term highly liquid investments with original maturities of three months or less.

(xvii) Investment Property

Property that is held either for long term rental yield or for capital appreciation or both, but not for sale in ordinary course of the business, use in the production or supply of goods or services or for administrative purposes is classified as investment property. Upon initial recognition, an investment property is measured at cost. Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation and accumulated impairment, if any. Depreciation is provided in the same manner as property, plant and equipment. Any gain or loss on disposal of an investment property is recognised in profit and loss.

(xviii) Investment in Subsidiaries

Investments in subsidiaries are recognised at cost as per Ind AS 27 – 'Separate Financial Statements'. Except where investments accounted for at cost shall be accounted for in accordance with Ind AS 105-' Non-current Assets Held for Sale and Discontinued Operations', when they are classified as held for sale. Provision for impairment in carrying value is evaluated and recognised in a manner similar to impairment mentioned in (vii) above.

(xix) Recent Indian Accounting Standards (Ind AS)

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards. There is no such notification which would have been applicable from April 1, 2020.

(₹ in lakhs)

3(a)(i)Property, plant and equipment

	Gross Value (at cost)				Depreciation / Amortisation				Net Value	
	As at April 1, 2020	Additions	Deletions / adjustment	As at March 31, 2021	As at April 1, 2020	For the year	Deletions / adjustment	As at March 31, 2021	As at March 31, 2021	As at March 31, 2020
a. Own assets :										
Buildings *	3,601	-	-	**3,601**	1,635	130	-	**1,765**	**1,836**	1,966
Computers	2,135	280	(382)	**2,033**	2,092	113	(382)	**1,823**	**210**	43
Plant and equipment	2,187	33	(66)	**2,154**	2,007	81	(66)	**2,022**	**132**	180
Furniture and fixtures	4,388	-	(56)	**4,332**	4,082	157	(56)	**4,183**	**149**	306
Vehicles	399	23	(27)	**395**	210	72	(27)	**255**	**140**	189
Office equipment	1,684	8	(55)	**1,637**	1,270	137	(55)	**1,352**	**285**	414
Total (A)	**14,394**	**344**	**(586)**	**14,152**	**11,296**	**690**	**(586)**	**11,400**	**2,752**	**3,098**
b. Leased assets :										
Leasehold land	386	-	-	**386**	311	4	-	**315**	**71**	75
Leasehold improvements	328	-	-	**328**	323	1	-	**324**	**4**	5
Vehicles	77	-	(19)	**58**	71	5	(19)	**57**	**1**	6
Total (B)	**791**	**-**	**(19)**	**772**	**705**	**10**	**(19)**	**696**	**76**	**86**
Total (A + B)	**15,185**	**344**	**(605)**	**14,924**	**12,001**	**700**	**(605)**	**12,096**	**2,828**	**3,184**

3(a)(ii) Intangible assets

	Gross Value (at cost)				Depreciation / Amortisation				Net Value	
	As at April 1, 2020	Additions	Deletions / adjustment	As at March 31, 2021	As at April 1, 2020	For the year	Deletions / adjustment	As at March 31, 2021	As at March 31, 2021	As at March 31, 2020
Computer software	3,377	307	(2,807)	**877**	3,177	307	(2,807)	**677**	**200**	200
Total	**3,377**	**307**	**(2,807)**	**877**	**3,177**	**307**	**(2,807)**	**677**	**200**	**200**

3(b) Right-of-use assets

	Gross Value (at cost)				Depreciation/ Amortisation				Net Value	
	As at April 1, 2020	Additions	Deletions / adjustment	As at March 31, 2021	As at April 1, 2020	For the year	Deletions / adjustment	As at March 31, 2021	As at March 31, 2021	As at March 31, 2020
Building	164	-	(22)	**142**	30	37	(7)	**60**	**82**	134
Total	**164**	**-**	**(22)**	**142**	**30**	**37**	**(7)**	**60**	**82**	**134**

Significant accounting policies and Notes to accounts
for the year ended March 31, 2021
(₹ in lakhs)

3(a)(i)Property, plant and equipment

For previous year ended March 31, 2020

	Gross Value (at cost)				Depreciation / Amortisation				Net Value	
	As at April 1, 2019	Additions	Deletions / adjustment	As at March 31, 2020	As at April 1, 2019	For the year	Deletions / adjustment	As at March 31, 2020	As at March 31, 2020	As at March 31, 2019
a. Own assets :										
Buildings *@	4,737	-	(1,136)	**3,601**	2,116	134	(615)	**1,635**	**1,966**	2,621
Computers	2,185	16	(66)	**2,135**	2,046	112	(66)	**2,092**	**43**	139
Plant and equipment	2,269	13	(95)	**2,187**	2,013	87	(93)	**2,007**	**180**	256
Furniture and fixtures	4,735	17	(364)	**4,388**	4,230	190	(338)	**4,082**	**306**	505
Vehicles	409	38	(48)	**399**	173	78	(41)	**210**	**189**	236
Office equipment	1,820	107	(243)	**1,684**	1,373	138	(241)	**1,270**	**414**	447
Total (A)	**16,155**	**191**	**(1,952)**	**14,394**	**11,951**	**739**	**(1,394)**	**11,296**	**3,098**	**4,204**
b. Leased assets :										
Leasehold land	386	-	-	**386**	311	-	-	**311**	**75**	75
Leasehold improvements	328	-	-	**328**	322	1	-	**323**	**5**	6
Vehicles	88	-	(11)	**77**	76	6	(11)	**71**	**6**	12
Total (B)	**802**	**-**	**(11)**	**791**	**709**	**7**	**(11)**	**705**	**86**	**93**
Total (A V.69[4)0 Td [( )-296(922)59 B5-)72241 BDC /T1)]TJ EMC /P 11 ,a%P[2257MCID)-241MCID355 6MCID2 (9)-11.2 (1)]TJ EMC /P 9										

Non-current assets

3(c). Investment property

	As at March 31, 2021	As at March 31, 2020
(A) Investment property (at cost less accumulated depreciation) *		
Gross Value (at cost)		
Opening	**1,136**	2
Additions	**-**	1,134
Closing	**1,136**	**1,136**
Accumulated depreciation		
Opening	**651**	**2**
Depreciation on transfer from property, plant and equipment	**-**	613
Depreciation for the year	**35**	36
Closing	**686**	**651**
Net value	**450**	485

Aggregate amount of investment property

** Fair Value of the investment property as at March 31, 2021 is ₹ 4,603 lakhs (₹ 4,975 March 31, 2020).*

** During the year ended March 31, 2020 the Pune property had been sublet, accordingly Gross block of ₹ 1,134 lakhs and accumulated depreciation of ₹ 613 lakhs has been re-classified from property, plant and equipment.*

(d). Investment in Subsidiaries at cost (unquoted)

	As at March 31, 2021	As at March 31, 2020
Mastek (UK) Limited		
200,000 (March 31, 2020 - 200,000) equity shares of £ 1 each, fully paid up	**216**	216
Trans American Information Systems Private Limited		
34,520 (March 31, 2020 - 34,520) equity shares of ₹ 10 each, fully paid up	**1,187**	1,187
	1,403	1,403

Significant accounting policies and Notes to accounts
for the year ended March 31, 2021
(₹ in lakhs)

4 Financial assets

a. Investments

	As at March 31, 2021	As at March 31, 2020
(A) Investment in share warrant at FVTPL (unquoted):		
Investment in Cashless Technologies India Private Limited	-	-
Nil Share warrants (March 31, 2020- 8,000,000)		
(B) Investment in mutual funds at FVOCI (unquoted):		
Kotak Corporate Bond Fund - Standard Growth (Regular Plan)	504	468
(17,391 units, March 31, 2020 - 17,391 units)		
ICICI Prudential Corporate Bond Fund - Growth	1,427	1,310
(6,291,134 units, March 31, 2020 - 6,291,134 units)		
HDFC Short Term Debt Fund - Regular Plan - Growth	1,462	1,347
(5,949,282 units, March 31, 2020 - 5,949,282 units)		
HDFC Ultra Short Term Fund - Regular Growth	16	15
(133,410 units, March 31, 2020 - 133,410 units)		
IDFC Low Duration Fund -Growth	601	568
(1,987,665 units, March 31, 2020 - 1,987,665 units)		
	4,010	**3,708**
(C) Investment in bonds at cost (unquoted):		
9.21% Bond with Punjab National Bank	-	50
10.90% Bond with Punjab & Sind Bank	56	56
8.5% - Bond with State Bank of India	53	-
	109	**106**
(D) Investment in term deposit at cost (unquoted):		
Term Deposit with Bank of India	-	30
	-	30
Aggregate amount of unquoted investments (A + B + C +D)	**4,119**	**3,844**

b. Loans

	As at March 31, 2021	As at March 31, 2020
Unsecured, Considered good		
Security deposits	106	88
	106	88

c. Other financial assets

	As at March 31, 2021	As at March 31, 2020
Advances to employees 106		

(₹ in lakhs)

5 Other non-current assets

	As at March 31, 2021	As at March 31, 2020
Capital advances	-	8
Prepaid expenses	20	1
Other advances	96	96
	116	105

Current assets

6 Financial assets

a. Investments

	As at March 31, 2021		As at March 31, 2020
	Units	Amount	

Significant accounting policies and Notes to accounts

for the year ended March 31, 2021

(₹ in lakhs)

	As at March 31, 2021		As at March 31, 2020	
	Units	Amount	Units	Amount
Aggregate amount of unquoted investments in mutual funds (A + B)		11,477		9,865
Aggregate amount of unquoted investment in term deposits (C)		4,338		2,325
Aggregate amount of unquoted Investment in bonds at cost (D)		50		-
Grand Total		**15,865**		**12,190**

b. Trade receivables (Unsecured)

	As at March 31, 2021	As at March 31, 2020
Trade receivables, considered good	4,794	3,621
Trade receivables which have significant increase in Credit Risk	-	-
Trade receivables- Credit impaired	-	-
Less: Allowance for doubtful receivables	(318)	(1,060)
Total trade receivables	4,476	2,561
Current portion	4,476	2,561
Non-current portion	-	-
Break-up of security details		
Unsecured, considered good	4,476	2,561
Doubtful	318	1,060
Total	4,794	3,621
Allowance for doubtful trade receivables	(318)	(1,060)
Total trade receivables	4,476	**2,561**

c. Cash and cash equivalents

	As at March 31, 2021	As at March 31, 2020
(i) Cash and cash equivalents		
Cash on hand	1	1
Bank balances		
In current accounts	2,392	2,017
	2,393	**2,018**
(ii) Bank balances, other than cash and cash equivalents		
Bank balances in unclaimed dividend account	51	64
	51	**64**

d. Loans

	As at March 31, 2021	As at March 31, 2020
Unsecured, Considered good		
Security deposits	17	13
	17	13

Significant accounting policies and Notes to accounts
for the year ended March 31, 2021
(₹ in lakhs)

e. Other financial assets

	As at March 31, 2021	As at March 31, 2020
Advances to employees	20	42
Interest accrued on fixed deposits	156	121
Deposit	2	2
Foreign exchange forward contract	-	121
Guarantee Commission Receivable	251	345
Rent receivables	98	100
Other receivable from subsidiary, net	274	569
Other receivables	31	33
	832	1,333

7 Other current assets

	As at March 31, 2021	As at March 31, 2020
Unbilled Revenue	263	227
Prepaid expenses	163	157
Input tax credit receivable	468	337
Advances to suppliers	392	39
Interest on Income tax refunds	175	110
Others	114	110
	1,575	980

8 Equity share capital

	As at March 31, 2021	As at March 31, 2020
Authorised:		
40,000,000 (March 31, 2020: 40,000,000) equity shares of ₹ 5/- each	2,000	2,000
2,000,000 (March 31, 2020: 2,000,000) preference shares of ₹ 100/- each	2,000	2,000
	4,000	4,000
Issued, subscribed and fully paid up :		
25,232,889 (March 31, 2020 :24,289,472) equity shares of ₹ 5/- each fully paid	1,262	1,214
	1,262	1,214

(a) Reconciliation of the number of equity shares outstanding at the beginning and end of the year are as given below:

Particulars	As at March 31, 2021		As at March 31, 2020	
	No. of shares	Amount	No. of shares	Amount
Equity Shares				
Balance as at the beginning of the year	24,289,472	1,214	23,972,803	1,199
Add: On account of exercise of employee stock option plans	943,417	48	316,669	15
Balance as at the end of the year	25,232,889	1,262	24,289,472	1,214

(₹ in lakhs)

(b) Rights, preferences and restrictions attached to shares

The Company has one class of equity shares having a face value of ₹ 5/- per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders at the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

(c) Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company

Name of the shareholder	As at March 31, 2021		As at March 31, 2020	
	No. of shares	% of holding	No. of shares	% of holding
Ashank Desai	**3,329,552**	**13.2%**	3,099,552	12.8%
Sudhakar Ram	**-**	**0.0%**	1,588,680	6.5%
Girija Ram	**1,753,280**	**6.9%**	-	0.0%
Ketan Mehta	**2,274,100**	**9.0%**	2,274,100	9.4%
Radhakrishnan Sundar	**1,340,800**	**5.3%**	1,340,800	5.5%

(d) Shares reserved for issue under options

	As at March 31, 2021	As at March 31, 2020
Number of shares to be issued under the Employee Stock Option Plans (Refer note 31)	**1,147,212**	1,975,692

9 Other equity

		As at March 31, 2021	As at March 31, 2020
a)	**Capital redemption reserve**	**1,539**	1,539
	Non-distributable reserve into which amounts are transferred following the redemption or purchase of a company's own shares.		
b)	**Securities premium**	**4,788**	2,716
	Amount received (on issue of shares) in excess of the face value has been classified as securities premium.		
c)	**Share options outstanding account**	**1,763**	2,223
	The share option outstanding account is used to record the value of equity-settled share based payment transactions with employees. The amounts recorded in this account are transferred to share capital and securities premium upon exercise of stock options by employees. In case of forfeiture, corresponding balance is transferred to retained earnings.		
d)	**Retained earnings**	**18,289**	17,995
	Retained earnings comprises of the prior year's undistributed earning after taxes increased by undistributed profits for the year.		
e)	**Other items of other comprehensive income**	**913**	1,225
	Other items of other comprehensive income consist of FVOCI financial assets and financial liabilities and remeasurement of defined benefit assets and liability.		
		27,292	**25,698**

9.1 Distributions made and proposed

The Board of Directors at its meeting held on October 30, 2020 had declared an interim dividend of 110% (₹ 5.5 per equity share of par value of ₹ 5 each). This has resulted in cash outflow of ₹ 1,362 Lakhs. Further, the Board of Directors at its meeting held on April 28, 2021 had recommended a final dividend of 180% (₹ 9 per equity share of par value of ₹ 5 each), which is subject to approval by the shareholders at their ensuing Annual General Meeting.

Non-current Liabilities

10 Financial liabilities

a. Borrowings

	As at March 31, 2021	As at March 31, 2020
Secured		
Vehicle loans from bank [Refer note (i) below]	**80**	113
	80	**113**

(i) Loans from bank are secured by hypothecation of assets (Vehicles) purchased there against.

Monthly payment of equated monthly instalments beginning from the month subsequent to taking the loan along with interest at 7.80% - 9.35% per annum is payable till November 2025.

(ii) The Company has, during the year ended March 31, 2021, availed / renewed certain working capital facilities from banks against which the security has been created on current assets specified by the bankers. However, no amounts are outstanding against the same as at March 31, 2021.

b. Other financial liabilities

	As at March 31, 2021	As at March 31, 2020
Security and other deposits	**154**	127
Guarantee Liability payable	**404**	771
Foreign exchange forward contract	**304**	-
Lease liability (Refer note 32)	**58**	89
	920	**987**

11 Provisions

	As at March 31, 2021	As at March 31, 2020
Provision for employee benefits		
Provision for gratuity (Refer note 23)	**648**	364
	648	**364**

Significant accounting policies and Notes to accounts
for the year ended March 31, 2021
(₹ in lakhs)

Current liabilities

Financial liabilities

12 Other financial liabilities

	As at March 31, 2021	As at March 31, 2020
Current maturities of vehicle loans from bank (Secured) (Refer note 10 (a))	**54**	47
Unclaimed dividends (Refer note (a) below)	**51**	64
Security and other deposits	**2**	2
Lease liability (Refer note 32)	**31**	50
Other payables		
Employee benefits payable	**2,112**	1,282
Accrued expenses	**3,095**	2,070
Foreign exchange forward contract	**94**	-
Guarantee Liability payable	**230**	231
	5,669	**3,746**

Note:

(a) There is no amount due for payment to Investor Education and Protection Fund under Section 125 of the Companies Act, 2013 as at March 31, 2021.

13 Other current liabilities

	As at March 31, 2021	As at March 31, 2020
Contract liabilities	**398**	103
Statutory dues (including stamp duty, provident fund and tax deducted at source)	**563**	394
Deferred rent	**40**	47
Others	**45**	11
	1,046	**555**

14 Provisions

	As at March 31, 2021	As at March 31, 2020
Provision for employee benefits		
Provision for leave entitlement	**664**	517
Provision for cost overrun on contracts*	**255**	320
	919	**837**

*Provision for cost overrun on contracts

Particulars	March 31, 2021	March 31, 2020
Balance as at beginning of the year	**320**	275
Add: Provision made / (reversed) during the year	**(65)**	45
Balance as at end of the year	**255**	320

15 Revenue from operations

	For the year ended March 31, 2021	For the year ended March 31, 2020
Information technology services	**18,714**	16,344
	18,714	**16,344**

The table below presents disaggregated revenues from contracts with customers by customer location for each of the company's business segments. Company believe this disaggregation best depicts how the nature, amount, timing and uncertainty of revenues and cash flows are affected by industry, market and other economic factors.

Revenue by geography

	For the year ended March 31, 2021	For the year ended March 31, 2020
UK & Europe operations	**16,102**	14,376
North America operations	**1,066**	598
Middle East	**14**	-
Others	**1,532**	1,370
	18,714	**16,344**

Remaining performance obligation

As of March 31, 2021 the aggregate amount of transaction price allocated to remaining performance obligations, was ₹ 569 lakhs, of which approximately 85% is expected to be recognised as revenues within 4 years. (March 31, 2020 ₹ 1,269 lakhs)

16 Other income

	For the year ended March 31, 2021	For the year ended March 31, 2020
Interest income		
- On fixed deposits	**274**	240
- On income tax refunds	**65**	-
- On others	**6**	4
- On guarantee given	**89**	60
Profit on sale of current investments	**398**	417
Gain on fair valuation of investments	**259**	199
Rental income	**418**	264
Profit on sale of property, plant and equipment	**17**	-
Net gain on foreign currency transactions and translation	**218**	127
Dividend income from Mastek UK Limited, subsidiary	**1,345**	3,142
Guarantee commission	**244**	104
Others	**154**	329
	3,487	**4,886**

Significant accounting policies and Notes to accounts
for the year ended March 31, 2021
(₹ in lakhs)

17 Employee benefits expenses

	For the year ended March 31, 2021	For the year ended March 31, 2020
Salaries, wages and performance incentives	**12,849**	11,009
Gratuity (Refer Note 23)	**259**	235
Contribution to provident and other funds	**475**	457
Employee stock compensation expenses	**312**	370
Staff welfare expense	**225**	293
	14,120	**12,364**

18 Finance costs

	For the year ended March 31, 2021	For the year ended March 31, 2020
Interest on lease liabilities		
Finance lease	**13**	16
Operating lease (Refer note 32)	**12**	13
Bank charges	**21**	9
Other finance charges	**12**	7
	58	**45**

19 Depreciation and amortisation expenses

	For the year ended March 31, 2021	For the year ended March 31, 2020
Property, plant and equipment	**700**	746
Right-of-use assets	**37**	30
Investment property	**35**	36
Intangible assets	**307**	301
	1,079	**1,113**

20 Other expenses

	For the year ended March 31, 2021	For the year ended March 31, 2020
Recruitment and training expenses	**365**	181
Travelling and conveyance	**162**	450
Communication charges	**115**	135
Electricity	**116**	200
Consultancy and sub-contracting charges	**238**	279
Audit fees (Refer note 36)	**38**	36
Rates and taxes	**78**	99
Repairs to buildings	**223**	337
Repairs : others	**371**	462
Insurance	**113**	83

Significant accounting policies and Notes to accounts
for the year ended March 31, 2021
(₹ in lakhs)

	For the year ended March 31, 2021	For the year ended March 31, 2020
Printing and stationery	2	14
Purchase of software license	137	366
Professional fees	558	418
Rent	51	42
Advertisement and publicity	24	87
Provision made/ (written back) against receivable, loans and advances doubtful of recovery, net	60	191
Hire charges	15	71
Provision for cost overrun on contracts, net (Refer note 14)	-	45
Expenditure towards corporate social responsibility (CSR) activities (Refer note 39)	179	113
Loss on sale of property, plant and equipment	-	19
Miscellaneous expenses	3	14
	2,848	3,642

21 Exceptional items, net

		For the year ended March 31, 2021	For the year ended March 31, 2020
a.	Legal and professional cost	-	32
b.	Provision for doubtful debts	-	651
c.	Settlement provision relating to revenue contract	700	-
		700	683

a. Legal and professional cost relates to a business combination consummated during the quarter ended March 2020. (Refer note 37).

b. Represents trade receivables from a customer that was facing financial difficulty, as a result of which the total amount outstanding as on March 31, 2020 was provided for.

c. Settlement provision relating to one revenue contracts ₹ 700 lakhs for the year ended March 31, 2021.

22 Earnings Per Share (EPS)

		For the year ended March 31, 2021	For the year ended March 31, 2020
The components of basic and diluted earnings per share for total operations are as follows:			
(a)	Net profit attributable to equity shareholders	1,646	2,745
(b)	Weighted average number of outstanding equity shares		
	Considered for basic EPS	24,652,243	24,077,384
	Add : Effect of dilutive potential equity shares arising from outstanding stock options	916,427	1,281,709
	Considered for diluted EPS	25,568,670	25,359,093
(c)	Earnings per share in ₹ (Face value ₹ 5/- each)		
	Basic	6.67	11.40
	Diluted	6.44	10.82

(₹ in lakhs)

23 Employee benefit plans

(a) Amount recognised in the statement of profit and loss in respect of gratuity cost (defined benefit plan) is as follows:

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Gratuity cost		
Service cost	**242**	233
Net interest on net defined liability	**17**	2
Net gratuity cost	**259**	235
Actuarial gain / (loss) recognised in other comprehensive income	**(27)**	8
Interest rate	**6.35%**	6.50%
Salary increase	**10%**	10%

The estimates of future salary increases, considered in actuarial valuation, takes into account inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market. The expected return on plan assets is based on expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations.

Mortality rate is considered as per the published rates under the Indian Assured Lives Mortality (2012-14) Ult table. Attrition rate varies between 10% to 21%. Mortality and attrition rates were same for the year ended March 31, 2020.

The following table sets out the status of gratuity plan.

Particulars	As at March 31, 2021	As at March 31, 2020
Obligation at the beginning of the year	**2,050**	1,925
Service cost	**242**	233
Interest cost	**120**	125
Actuarial loss / (gain) - financial assumption	**21**	89
Actuarial loss / (gain) - experience	**17**	(90)
Benefits paid	**(218)**	(233)
Obligation at the end of the year	**2,232**	**2,050**
Change in plan assets (maintained by LIC)		
Plan assets at the beginning of the year, at fair value	**1,687**	1,790
Employer contribution	**1**	0
Interest income on plan assets	**103**	123
Remeasurement on plan assets less interest on plan assets	**11**	7
Benefits paid	**(218)**	(233)
Plan assets at the end of the year, at fair value	**1,584**	**1,687**

Historical information

Particulars	As at				
	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017
Present value of defined benefit obligation	**2,232**	2,050	1,925	1,740	1,920
Fair value of plan assets	**1,584**	1,687	1,790	1,813	1,835
(Liability)/asset recognised	**(648)**	(363)	(135)	73	(85)

The experience adjustments, meaning difference between changes in plan assets and obligations expected on the basis of actuarial assumption and actual changes in those assets and obligations are as follows:

Particulars	As at March 31, 2021	As at March 31, 2020
Experience adjustment on plan liabilities - (loss) / gain	**(38)**	1
Experience adjustment on plan assets - gain	**11**	7

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

Particulars	As at March 31, 2021		As at March 31, 2020	
	Increase	Decrease	Increase	Decrease
Discount Rate(50 bps)	**(67)**	**76**	(58)	66
Salary Growth(50 bps)	**73**	**(66)**	63	(57)

Maturity profile of defined benefit obligation:

Particulars	As at March 31, 2021	As at March 31, 2020
1 year	**299**	394
2 year	**301**	239
3 year	**272**	247
4 year	**244**	221
5 year	**226**	195
6 year	**216**	181
7 year	**230**	174
8 year	**182**	187
9 year	**181**	147
10 years and beyond	**1,466**	1,305

i) The Company has setup an income tax approved irrevocable trust fund to finance the plan liability. The trustees of the trust fund are responsible for the overall governance of the plan. Expected contribution to the Fund in FY 2021-22 is ₹ 200 lakhs. (FY 2020-21 ₹ 200 lakhs)

ii) Plan assets are investment in unquoted insurer managed funds.

(b) Defined contribution plan

The Company contributed ₹ 475 lakhs for the year ended March 31, 2021 (₹ 457 lakhs March 31, 2020) for the defined contribution plan.

(₹ in lakhs)

24 Income taxes

Income tax expense / (credit) in the statement of profit and loss consists of:

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Current tax	1,040	869
Income tax relating to earlier years (refer note 24.1)	730	-
Deferred tax	(20)	(231)
Income tax expense recognised in the statement of profit or loss	1,750	638
Income tax (expense) recognised in other comprehensive income	128	(64)

The reconciliation between the provision of income tax of the Company and amounts computed by applying the Indian statutory income tax rate to profit before taxes is as follows:

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Profit before tax	3,396	3,383
Enacted income tax rate in India	29.12%	29.12%
Computed expected tax expense	989	985
Effect of:		
Expenses that are not deductible in determining taxable profit	21	7
Dividend income subject to different tax rates	(392)	(366)
Tax provision related to Advance Pricing Arrangement	1,143	-
Others	(11)	12
Total income tax expense recognised in the statement of profit and loss	1,750	638

The movement in gross deferred income tax assets and liabilities (before set-off) for the year ended March 31, 2021 is as follows:

Particulars	Carrying value as at April 1, 2020	Changes through profit and loss	Additions through business transfer	Changes through OCI	Utilisation of MAT credit*	Carrying value as at March 31, 2021
Property, plant and equipment and intangible assets	638	(11)	-	-	-	627
Provision for doubtful debts	307	(216)	-	-	-	91
Provision for compensated absence/gratuity	256	118	-	8	-	382
Net gain on fair value of mutual funds	(321)	(134)	-	(64)	-	(519)
Cash flow hedge	(69)	-	-	184	-	115
MAT Credit entitlement	1,977	-	-	-	(65)	1,912
Others	28	263	-	-	-	291
Total	**2,816**	**20**	**-**	**128**	**(65)**	**2,899**

* Adjusted in Current tax

The movement in gross deferred income tax assets and liabilities (before set-off) for the year ended March 31, 2020 is as follows:

Particulars	Carrying value as at April 1, 2019	Changes through profit and loss	Additions through business transfer	Changes through OCI	Utilisation of MAT credit ^	Carrying value as at March 31, 2020
Property, plant and equipment and intangible assets	649	(11)	-	-	-	638
Provision for doubtful debts	75	232	-	-	-	307
Provision for compensated absence/gratuity	247	12	-	(3)	-	256
Net gain on fair value of mutual funds	(228)	-	-	(93)	-	(321)
Cash flow hedge	(101)	-	-	32	-	(69)
MAT Credit entitlement	2,130	-	-	-	(153)	1,977
Others	30	(2)	-	-	-	28
Total	**2,802**	**231**	**-**	**(64)**	**(153)**	**2,816**

^ Adjusted in Current tax

24.1 During the year, the company has recognised a provision towards the possible impact of an uncertain tax position based on the present status of the on-going proceedings of its Advance Pricing Arrangement with the tax authorities. Accordingly, ₹ 730 Lakhs was provided as an impact for prior years, which will be adjusted based on additional facts and / or ultimate outcome. Current tax expense for the year ended March 31, 2021 includes impact of the same amounting to ₹ 413 lakhs, recognised on a similar basis. The matter is under discussion between the revenue authorities of the respective countries and pending ultimate conclusion, the Company has recognised the provision on a best estimate basis.

25 Related Party disclosures, as per Ind AS 24

Relationships have been disclosed where transactions have taken place and relationships involving controls:

Name of Related Party	Nature of relationship	Country of Incorporation
Mastek (UK) Limited	Subsidiary	United Kingdom
Trans American Information Systems Private Limited	Subsidiary	India
Indigo Blue Consulting Limited (merged with Mastek (UK) Limited with effect from June 30, 2018)	Step-down Subsidiary	United Kingdom
Mastek, Inc. (formerly known as Digility, Inc.)	Step-down Subsidiary	United States of America
Trans American Information Systems, Inc.	Step-down Subsidiary	United States of America
Taistech LLC (merged with Trans American Information Systems, Inc. with effect from December 31, 2019)	Step-down Subsidiary	United States of America
Mastek Digital, Inc.	Step-down Subsidiary	Canada
Acquired through Business Transfer Agreement (BTA) (Refer note 37(i) for manner and date of acquisition)		
Mastek Arabia FZ LLC	Step-down Subsidiary	United Arab Emirates
Evolutionary Systems Consultancy LLC	Step-down Subsidiary	United Arab Emirates
Evolutionary Systems Egypt (Limited)	Step-down Subsidiary	Egypt
Evosys Kuwait WLL	Step-down Subsidiary	Kuwait
Evolutionary Systems Saudi LLC	Step-down Subsidiary	Kingdom of Saudi Arabia
Evolutionary Systems Bahrain WLL	Step-down Subsidiary	Bahrain
Acquired through Demerger Co-operation Agreement (DCA) (Refer note 37(ii) for manner and date of acquisition)		
Evolutionary Systems Private Limited	Step-down Subsidiary	India
Evolutionary Systems Company Limited-UK	Step-down Subsidiary	United Kingdom
Newbury Cloud, Inc.	Step-down Subsidiary	United States of America
Evolutionary Systems Corp.	Step-down Subsidiary	United States of America
Evosys Consultancy Services (Malaysia)	Step-down Subsidiary	Malaysia

Significant accounting policies and Notes to accounts
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(₹ in lakhs)

Evolutionary Systems Qatar WLL	Step-down Subsidiary	Qatar
Evolutionary Systems Pty Ltd	Step-down Subsidiary	

(₹ in lakhs)

Balances outstanding are as follows:-

Name of Related Party	Nature of balances	As at March 31, 2021	As at March 31, 2020
Mastek (UK) Limited	Trade receivables	**3,437**	2,140
	Other receivables	**254**	256
	Guarantee commission receivable ^	**567**	997
	Guarantee commission liability (at fair value) ^	**634**	1,002
	Guarantee given against Loan availed by subsidiary *	**25,818**	33,193
Mastek, Inc.	Trade receivables	**200**	135
	Other receivable from subsidiary / (payable)	**9**	(18)
Trans American Information Systems, Inc.	Other receivables	**9**	7
	Trade receivables / (payables)	**25**	(8)
Trans American Information Systems Private Limited	Trade receivables	**1**	0
	Other receivables	**2**	324
Mastek Arabia FZ LLC	Trade receivables	**4**	-
Evolutionary Systems Consultancy LLC	Trade receivables	**10**	-
Evosys Consultancy Services (Malaysia)	Trade receivables	**11**	-
Evolutionary Systems (Singapore) Pte. Ltd.	Trade receivables	**11**	-
Evolutionary Systems Private Limited	Trade receivables	**156**	-

** The guarantees/security [refer notes 3(a)(*) and 35B] have been given for loans availed by the subsidiary for acquisitions.*

^ This includes foreign exchange adjustment and fair value adjustment.

25.1 Compensation of key management personnel of the Company

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Salaries and other employee benefits *	**442**	293
Share based payment transactions	**202**	37
Director sitting fees	**79**	84
Director commission	**22**	30
Compensation to key management personnel	**745**	444

**Does not include post-employment benefits based on actuarial valuation as this is computed for the company as a whole.*

26 Segment reporting

The Company has opted to present information relating to its segments in its consolidated financial statements which are included in the same annual report. In accordance with Ind AS 108 - 'Operating Segments', no disclosures related to segment are therefore presented in these standalone financial statements.

Significant accounting policies and Notes to accounts
for the year ended March 31, 2021
(₹ in lakhs)

27 Financial instrument

The carrying value and fair value of financial instruments by categories as at March 31, 2021 and March 31, 2020 is as follows:

Particulars	Carrying Value		Fair Value	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Financial asset				
Amortised Cost				
Loans				

Quantitative disclosures of fair value measurement hierarchy for financial assets as at March 31, 2020:

Particulars	Date of valuation	Total	Fair value measuring using		
			Level 1	Level 2	Level 3
Financial assets measuring at fair value					
Derivative Assets					
Foreign exchange forward contract	March 31, 2020	237	-	237	-
FVTOCI financial assets designated at fair value					
Investment in mutual fund	March 31, 2020	7,775	7,775	-	-
FVTPL financial assets designated at fair value					
Investment in liquid mutual fund	March 31, 2020	5,798	5,798	-	-

29 Financial Risk Management

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's primary focus is to foresee the unpredictability of financial markets and seek to minimize potential adverse effects on its financial performance. The Company's management oversees the management of these risk and formulates the policies, the Board of Directors and Audit Committee reviews and approves policies for managing each of these risks, which are summarised below:

Market Risk

Market Risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market prices. The primary market risk to the Company is foreign exchange risk.

Foreign Currency Risk

The Company's exposure to risk of change in foreign currency exchange rates arising from foreign currency transactions, is primarily with respect to the currencies which are not fixed. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the company. The Company uses derivative financial instruments to mitigate foreign exchange related risk exposures. The counter parties of these derivative instruments are primarily a bank. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Company's policy that no trading in derivative for speculative purposes may be undertaken.

Derivative financial instrument

These derivative financial instruments are forward contracts and are qualified for cash flow hedge accounting when the instrument is designated for hedge. Company has designated major portion of derivative instruments as cash flow hedges to mitigate the foreign exchange exposure of forecasted highly probable cash flows.

The following table presents the aggregate contracted principal amounts of the Company's derivative contracts outstanding:

Designated derivative instrument	As at	
	March 31, 2021	March 31, 2020
Forward contract (Amount in GBP lakhs)	**305**	161
Number of contracts	**462**	237
Fair value (loss)/gain	**(398)**	237

Significant accounting policies and Notes to accounts

for the year ended March 31, 2021

(₹ in lakhs)

Forward Contracts covers part of the exposure during the period April 2021 - January 2025

Mark-to-Market gains / (losses)	As at	
	March 31, 2021	March 31, 2020
Opening balance of Mark-to-market gains receivable on outstanding derivative contracts	237	348
Less: Released from Hedging reserve account to statement of profit and loss under revenue upon occurrence of forecasted sales transactions	(10)	(396)
Add: Changes in the value of derivative instrument recognised in Hedging reserve account	(625)	285
Closing balance of Mark-to-market (losses payable) / gains receivable on outstanding derivative contracts	**(398)**	**237**
Disclosed under:		
Other current financial asset (Refer note 6(e))	-	121
Other non-current financial asset (Refer note 4(c))	-	116
Other current financial liabilities (Refer note 12)	94	-
Other non-current financial liabilities (Refer note 10(b))	304	-
	398	237

Non-Derivative Financial Instruments

The following table presents foreign currency risk from non- derivative financial instrument as of March 31, 2021 and March 31, 2020.

Particulars	As at March 31, 2021			As at March 31, 2020		
	USD in lakhs	GBP in lakhs	₹ in lakhs	USD in lakhs	GBP in lakhs	₹ in lakhs
Financial assets	4	18	2,071	2	7	735
Financial liabilities	(4)	-	(280)	(2)	-	(184)
Net assets / (liabilities)	**(0)**	**18**	**1,791**	**-**	**7**	**551**

As at March 31, 2021 and March 31, 2020 respectively, every 1% increase/decrease of the respective foreign currencies compared to functional currency of the Company would impact results by approximately ₹ 18 lakhs and ₹ 6 lakhs, respectively.

^ This does not include contingent liability of guarantee commission (Refer note 35B).

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counter party credit risk is to prevent losses in financial assets. The Company assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer, including the default risk of the industry and country in which the customer operates, also has an influence on credit risk assessment and accordingly the Company's accounts for the expected credit loss. There is only one customer which contributes for more than 10% of outstanding total accounts receivables aggregating 76.80% as at March 31, 2021 (73.29%, March 31, 2020).

(₹ in lakhs)

The following table gives details in respect of revenues generated from top customer and top 5 customers:

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Revenue from Top Customer	**86%**	86%
Revenue from Top 5 Customers	**95%**	92%

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by ensuring, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. Also, the Company has unutilized credit limits with banks. The Company's corporate treasury department is responsible for liquidity, funding as well as settlement management. In addition, processes and policies related to such risks are overseen by senior management. The management monitors the Company's net liquidation through rolling forecast on the basis of expected cash flows.

The Working Capital position of the Company is given below

Particulars of current financial assets	As at March 31, 2021	As at March 31, 2020
Cash and cash equivalent	**2,393**	2,018
Other bank balances	**51**	64
Investment in mutual funds	**11,477**	9,865
Investment in term deposits	**4,338**	2,325
Investment in bonds	**50**	-
Total	**18,309**	**14,272**

The table below provides details regarding the contractual maturities of significant financial liabilities as at March 31, 2021 and March 31, 2020:

Particulars	As at March 31, 2021	
	Less than 1 Year	1 Year and above
Borrowings	**54**	**80**
Trade payables	**134**	**-**
Other financial liabilities	**5,615**	**920**

Particulars	As at March 31, 2020	
	Less than 1 Year	1 Year and above
Borrowings	47	113
Trade payables	112	-
Other financial liabilities	3,699	987

Significant accounting policies and Notes to accounts
for the year ended March 31, 2021
(₹ in lakhs)

30 Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company monitors the return on capital as well as the level of dividends on its equity shares. The Company's objective when managing capital is to maintain an optimal structure so as to maximize shareholder value. The capital structure is as follows:

Particulars	As at March 31, 2021	As at March 31, 2020
Total Equity attributable to the Equity Share Holders of Company	**28,554**	**26,912**
As percentage of total Capital	**99.53%**	99.41%
Current loan and borrowing	**54**	47
Non Current loan and borrowing	**80**	113
Total loans and borrowings	**134**	**160**
As a percentage of total capital	**0.47%**	0.59%
Total capital (Loans and borrowings and equity)	**28,688**	**27,072**

The Company is predominantly equity financed which is evident from capital structure table. Further, the Company has always been in a net cash position. Cash and bank balances along with current financial assets which is predominantly includes investment in liquid and short term mutual funds are in excess of debt.

31 Employee Stock Based Compensation

i) Plan IV

The Shareholders of the Company through Postal Ballot on August 9, 2007 approved the allocation of 1,000,000 stock options to the eligible employees of the Company and its subsidiaries. The Company subsequently established a new scheme in 2007 for granting 1,000,000 stock options to the employees referred to above, each option representing one equity share of the Company. The vesting period of stock options will range from one year to four years from the date of grant. The stock options are exercisable within a period of seven years from the date of vesting.

Particulars	For the year ended March 31, 2021		For the year ended March 31, 2020	
	No. of share options	Weighted average Exercise price	No. of share options	Weighted average Exercise price
Outstanding options at beginning of the year	-	-	7,500	88
Granted during the year	-	-	-	-
Exercised during the year	-	-	-	-
Lapsed/Cancelled during the year	-	-	(7,500)	88
Outstanding options at end of the year	-	-	-	-
Options exercisable, end of the year	-	-	-	-

(₹ in lakhs)

ii) Plan V

The Company introduced a new scheme in 2008 for granting 1,500,000 stock options to the employees, each option representing one equity share of the Company. The vesting period of stock options will range from one year to four years from the date of grant. The stock options are exercisable within a period of seven years from the date of vesting.

Particulars	For the year ended March 31, 2021		For the year ended March 31, 2020	
	No. of share options	Weighted average Exercise price	No. of share options	Weighted average Exercise price
Outstanding options at beginning of the year	**32,225**	**68**	37,225	69
Granted during the year	**-**	**-**	-	-
Exercised during the year	**(18,000)**	**66**	(5,000)	80
Lapsed/Cancelled during the year	**(3,750)**	**91**	-	-
Outstanding options at end of the year	**10,475**	**63**	32,225	68
Options exercisable, end of the year	**10,475**	**63**	32,225	68

iii) Plan VI

The Company introduced a new scheme in 2010 for granting 2,000,000 stock options to the employees, each option representing one equity share of the Company. The vesting period of stock options will range from one year to four years from the date of grant. The stock options are exercisable within a period of seven years from the date of vesting.

Particulars	For the year ended March 31, 2021		For the year ended March 31, 2020	
	No. of share options	Weighted average Exercise price	No. of share options	Weighted average Exercise price
Outstanding options at beginning of the year	**427,508**	**82**	621,071	77
Granted during the year	**-**	**-**	-	-
Exercised during the year	**(258,606)**	**71**	(182,069)	63
Lapsed/Cancelled during the year	**(50,811)**	**98**	(11,494)	134
Outstanding options at end of the year	**118,091**	**114**	427,508	82
Options exercisable, end of the year	**118,091**	**114**	427,508	82

iv) Plan VII

The Company introduced a new scheme in 2013 for granting 2,500,000 stock options to its employees and employees of its subsidiaries, each option giving a right to apply for one equity share of the Company on its vesting. The vesting period of stock option will range from one year to four years from the date of grant. The stock options are exercisable within a period of seven years from the date of vesting.

Particulars	For the year ended March 31, 2021		For the year ended March 31, 2020	
	No. of share options	Weighted average Exercise price	No. of share options	Weighted average Exercise price
Outstanding options at beginning of the year	**1,515,959**	**92**	1,538,623	102
Granted during the year	**267,160**	**5**	170,750	5
Exercised during the year	**(666,811)**	**97**	(129,600)	70
Lapsed/Cancelled during the year	**(97,662)**	**63**	(63,814)	126
Outstanding options at end of the year	**1,018,646**	**69**	1,515,959	92
Options exercisable, end of the year	**559,943**	**96**	798,418	115

Significant accounting policies and Notes to accounts

for the year ended March 31, 2021

(₹ in lakhs)

The following tables summarize information about the options/ shares outstanding under various programs as at March 31, 2021 and March 31, 2020 respectively:

Particulars	As at March 31, 2021		
	No. of share options	Weighted average remaining contractual life in years	Weighted average exercise price
Programme V	**10,475**	**0.3**	**63**
Programme VI	**118,091**	**2.6**	**114**
Programme VII	**1,018,646**	**6.7**	**69**

Particulars	As at March 31, 2020		
	No. of share options	Weighted average remaining contractual life in years	Weighted average exercise price
Programme V	32,225	0.7	68
Programme VI	427,508	3.2	82
Programme VII	1,515,959	6.5	92

The weighted average fair value of each unit under the plan, granted during the year ended was ₹ 441 using the Black-Scholes model with the following assumptions:

Particulars	As at March 31, 2021
Weighted average grant date share price	**505**
Weighted average exercise price	**5**
Dividend yield %	**0.78%**
Expected life	**3-7**
Risk free interest rate	**5.40**
Volatility	**52.04**

Volatility : Volatility is a measure of the amount by which a price has fluctuated or is expected to fluctuate during the period. The measure of volatility is used in Black Scholes option pricing model is the annualised standard deviation of the continuously compounded rates of return on the stock over a period of time. Company considered the daily historical volatility of the Company's stock price on NSE over the expected life of each vest.

Risk free rate : The risk free rate being considered for the calculation is the interest rate applicable for a maturity equal to the expected life of the options based on zero coupon yield curve for government securities.

Expected life of the options: Expected life of the options is the period for which the Company expects the options to be live. The minimum life of stock options is the minimum period before which the options can't be exercised and the maximum life of the option is the maximum period after which the options can't be exercised. The Company has calculated expected life as the average of the minimum and the maximum life of the options.

Dividend yield: Expected dividend yield has been calculated as a total of interim and final dividend declared in last year preceding date of grant.

32 Leases

Company as a lessor

At the inception of the lease the Company classifies each of its leases as either an operating lease or a finance lease. The Company recognises lease payments received under operating leases as income on systematic basis over the lease term.

If an arrangement contains lease and non-lease components, the Company applies Ind AS 115 Revenue from contracts with customers to allocate the consideration in the contract.

Company as lessee

The Company's leased assets primarily consist of leases for office premises, guest houses, laptops, lease lines, furniture and equipment. Leases of office premises and guest houses generally have lease term between 2 to 45 years. The Company has applied low value exemption for leases of laptops, lease lines, furniture and equipment and accordingly these are excluded from accounting as per Ind AS 116, at present.

i) The carrying amounts of right-of-use assets recognised and the movements during the period (Refer note 3 (b))

ii) Below are the carrying amounts of operating lease liabilities (included under financial liabilities) and the movements during the period:

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Balance at the beginning of the year	**139**	-
Additions during the year	-	164
Deletion during the year	**(17)**	-
Finance expense	**12**	13
Payments	**(45)**	(38)
Balance at the end of the year	**89**	139
Current	**31**	50
Non-current	**58**	89

The contractual maturity analysis of lease liabilities (Including amount not falling under IndAS 116) are disclosed herein on an undiscounted basis:

Particulars	As at March 31, 2021	As at March 31, 2020
Less than one year	**89**	98
More than one year less than 5 years	**94**	195
More than 5 years	**350**	349

The effective interest rate for lease liabilities is 11%.

iii) The following are the amounts recognised in profit or loss:

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Depreciation expense of right-of-use assets	**37**	30
Interest expense on lease liabilities	**12**	13
Expense relating to short-term leases (included in other expenses)	**51**	42
Total amount recognised in profit or loss	**100**	85

The Company had total cash outflows for leases of ₹ 96 Lakhs in FY 2020-21 (₹ 80 Lakhs in FY 2019-20).

There are several lease agreements with extension and termination options, for which management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised. Since it is reasonable certain to exercise extension option and not to exercise termination option, the Company has opted to include such extended term and ignore termination option in determination of lease term.

The maturity analysis of lease income are disclosed herein-

Particulars	As at March 31, 2021	As at March 31, 2020
Future minimum lease income under non-cancellable operating lease (in respect of properties):		
Due within one year	405	404
Due later than one year but not later than five years	897	1,301
Total	**1,301**	**1,705**

33 Micro, Small and Medium Enterprises

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

	Particulars	As at March 31, 2021	As at March 31, 2020
a)	The principal amount remaining unpaid to any supplier at the end of the year	27	1
b)	Interest due remaining unpaid to any supplier at the end of the year	-	-
c)	the amount of interest paid by the buyer in terms of section 16 of the MSMED Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during the year	-	-
d)	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	-	-
e)	the amount of interest accrued and remaining unpaid at the end of each accounting year	-	-
f)	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 of a deductible expenditure under section 23 of the MSMED Act, 2006	-	-

Disclosure of payable to vendors as defined under the "Micro, Small and Medium Enterprise Development Act, 2006" is based on the information available with the Company regarding the status of registration of such vendors under the said Act, as per the intimation received from them on requests made by the company.

34 Capital commitment

Estimated amount of contracts remaining to be executed on capital account and not provided for as at March 31, 2021 is ₹ 18 lakhs (March 31, 2020: ₹ 61 lakhs).

35 Contingent liabilities

A. Claims against Company not acknowledged as debts

	As at March 31, 2021	As at March 31, 2020
1. Claims against Company not acknowledged as debts		
Sales tax matter	**941**	927

2. Provident Fund

Based on the judgement by the Honourable Supreme Court dated February 28, 2019, past provident fund liability, is not determinable at present, in view of uncertainty on the applicability of the judgement to the Company with respect to timing and the components of its compensation structure. In absence of further clarification, the Company has been advised to await further developments in this matter to reasonably assess the implications on its financial statements, if any.

(i) The Company does not expect any cash outflows or any reimbursements in respect of the above contingent liabilities.

(ii) It is not practicable for the Company to estimate the timing of cash outflows, if any, in respect of the above, pending occurrence of the default event or resolution of respective proceedings.

3. Social Security Code

The Code on Social Security, 2020 ("the 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. The Company will assess the impact of the Code when it comes into effect and will record any related impact in the period the Code becomes effective.

	As at March 31, 2021	As at March 31, 2020
B. Guarantee given to lenders for loan availed by subsidiary (to the extent of amount outstanding)	**25,818**	33,193

36 Payments to the Auditor

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
As auditor	**36**	34
Other expenses	**2**	2
Total	**38**	**36**

37 Note on acquisition

During the quarter and year ended March 31, 2020, Mastek has acquired control of the business of Evolutionary Systems Private Limited ("ESPL") and its subsidiary companies (together referred to as "Evosys"). The acquisition was as follows:-

i. Mastek (UK) Limited, a wholly-owned subsidiary of Mastek Limited, entered into a Business Transfer Agreement ("BTA") on February 8, 2020 to acquire the business of Evosys Arabia FZ LLC and Share Transfer Agreements (STA) to acquire Middle East Companies ("MENA Acquisition") by paying a cash consideration (net of cash & cash equivalents) of USD 64.9 million i.e. ₹ 48,204 lakhs. The closing of such transaction occurred on March 17, 2020, which is considered to be the date of transfer of control or the date of acquisition, as per Ind AS 103, and necessary effects have been recognised in the standalone financial statements of the respective entities and consolidated financial statements of the Company and its subsidiaries. While the acquisition has been effected and full consideration has been paid, procedures to complete the legal processes like registering sale of shares in two geographies is ongoing. The legal procedures are delayed because of COVID-19 pandemic related lockdown. The Company has been legally advised that such legal procedures are administrative in nature and the parties to the BTA expect to complete these after the lockdown is relaxed / lifted i.e. by September 2021.

(₹ in lakhs)

ii. With respect to a business undertaking of ESPL (including investments in certain subsidiaries of ESPL), the parties entered into a Demerger Co-operation Agreement (DCA) and Shareholders Agreement on February 8, 2020. The manner of discharge of the non-cash consideration and the acquisition of legal ownership, is decided to be achieved through a demerger scheme filed before the NCLT ("the Scheme"), or, as per DCA between Mastek and the sellers of Evosys, the parties shall complete this transaction with the same economic effect, by an alternate arrangement within the period specified in the DCA. The DCA gives Mastek the right to appoint majority of the board of directors in ESPL and its subsidiaries and also provides for the relevant activities of ESPL and its subsidiaries to be decided by a majority vote of such board of directors, thereby resulting in transfer of control of business of ESPL and its subsidiaries to Mastek Group. The date of acquisition of business undertaking for the purposes of Ind AS 103 is the date of transfer of control to Mastek, i.e. February 8, 2020. Discharge of consideration for demerger will be done through issue of 4,235,294 equity shares of Mastek Limited (face value ₹ 5 each) and balance through Compulsorily Convertible Preference Shares (CCPS) of Trans American Information Systems Private Limited (a subsidiary of Mastek Limited) which carry a Put Option to be discharged at agreed EBITDA multiples, based on actual EBIDTA of 3 years commencing from financial year ending March 31, 2021. Pending completion of legal acquisition, this transaction has only been considered for disclosure in the standalone financial statements for the years ended March 31, 2020 and 2021 and will be given effect to on receiving NCLT approval or on executing the alternate arrangement in accordance with the DCA. Accordingly, the equity shares which are proposed to be issued have not been considered for calculating the earnings per share till such time that the acquisition is recognised in the standalone financial statements.

38 The Company has assessed the impact of Covid-19 Pandemic on its operations as well as financial reporting process, including but not limited to the areas of financial controls, credit risk, effectiveness of hedge relationship, impairment of financial and non-financial assets, and cyber security pertaining to the remote access of information for the year ended March 31, 2021 and up to the date of approval of its financial statements. While assessing the impact, Company has considered all internal and external sources of information like industry reports, economic forecast, credit reports and company's business forecast basis the global economic condition. Company expects to recover the carrying amount of its assets and retain effectiveness of its hedge transactions. Further, there have been no material changes in the financial control/process followed by the company. However, the impact of COVID-19 may be different from that estimated as on the date of approval of these financial statements and the Company will continue to closely monitor any material changes to the business due to future economic conditions.

39 Expenditure on Corporate Social Responsibilities

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Amount required to be spent as per Section 135 of the Companies Act	**71**	62
Amount spent during the year	**179**	113

40 Previous year's figures have been regrouped or reclassified wherever necessary.

These are the notes to the financial statements referred to in our report of even date

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm Registration No: 001076N/N500013

Adi P. Sethna
Partner
Membership No.: 108840
Place: Mumbai
Date: April 28, 2021

For and on behalf of the Board of Directors of **Mastek Limited**

Ashank Desai
Vice Chairman and
Managing Director
DIN: 00017767

S. Sandilya
Non-Executive Chairman
and Independent Director
DIN: 00037542

Arun Agarwal
Vice President - Finance
Place: Mumbai
Date: April 28, 2021

Dinesh Kalani
Company Secretary