

Special Purpose Financial Statements and  
Independent Auditor's Report

Mechworks S.R.L

31 March 2023

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Mechworks S.R.L.

**D. PRASANNA & CO.**  
Chartered Accountants  
No.192, S.C. Road, Basavanagudi  
BANGALORE - 560 004.

### Report on the Audit of the Special Purpose Financial Statements

#### Opinion

We have audited the accompanying special purpose financial statements of Mechworks S.R.L. ("the Company"), which comprise the Balance Sheet as at 31 March 2023, and the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information (herein after referred to as "the Special Purpose Financial Statements"). As explained in Note 2(i) to the Special Purpose Financial Statements, these Special Purpose Financial Statements include limited information and have been prepared by the Management of Wipro Limited ("the Parent") solely for inclusion in the annual report of Wipro limited for the year ended 31 March 2023 under the requirements of section 129(3) of the Companies Act, 2013, in accordance with the accounting policies of the Parent and in compliance with the recognition and measurement principles laid down in Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid special purpose financial statements give a true and fair view in conformity with the basis of presentation referred to in Note 2(i) to the Special Purpose Financial Statements, of the state of affairs of the Company as at 31 March 2023, and profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

#### Basis for Opinion

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

#### Basis of Accounting and Restriction on Use

Without modifying our opinion, we draw attention to Note 2(i) to the Special Purpose Financial Statements, to the basis of the preparation to the special purpose financial statements. The Special Purpose Financial Statements are prepared for inclusion in the annual report of the Ultimate Holding Company under the requirements of Section 129(3) of the Companies Act, 2013. As a result, the Special Purpose Financial Statements may not be suitable for any other purpose. Our report is intended solely for the Company and Wipro Limited and should not be distributed to or used by parties other than the Company and Wipro Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, the Company's and ultimate holding company's board of directors, for our audit work, for this report, or for the opinions we have formed.



## Management Responsibility for the Special Purpose Financial Statements

The Company's management and Board of Directors are responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these special purpose financial statements that give a true and fair view of the financial position, financial performance and total comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian accounting Standards (Ind AS) prescribed under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the special purpose financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

## Auditors' Responsibilities for the Audit of the Special Purpose Financial Statements

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

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

- Identify and assess the risks of material misstatement of the special purpose financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances on whether the company has adequate internal financial controls with reference to the special purpose financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the special purpose financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the special purpose financial statements, including the disclosures, and whether the special purpose financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

For **D Prasanna & Company**  
Chartered Accountants  
Firm's Registration No.009619S



D. Prasanna Kumar  
Proprietor  
Membership No. 211367  
UDIN: 23211367BGXYKN1653

Place: Bengaluru  
Date: 24th May 2023

Special purpose  
Financial Statements and Auditor's Report

Mechworks S.R.L

31 March 2023

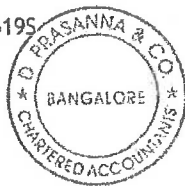
**Mechworks S.R.L**  
**Balance Sheet as at 31 March, 2023**  
(Amount in EUR, unless otherwise stated)

	Notes	As at	
		31 March 2023	31 March 2022
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	8,632	10,071
Right-of-use assets	4	2,230	28,992
Other non-current assets	5	2,371	2,371
<b>Total non-current assets</b>		<b>13,233</b>	<b>41,434</b>
<b>Current assets</b>			
<b>Financial assets</b>			
Trade receivables	6	373,562	426,367
Cash and cash equivalents	7	3,951,198	2,651,153
Unbilled receivables		347,230	342,088
Current tax assets (net)		(12,079)	-
Other current assets	5	72,578	27,074
Contract Assets		8,160	
<b>Total current assets</b>		<b>4,740,649</b>	<b>3,446,682</b>
<b>TOTAL ASSETS</b>		<b>4,753,882</b>	<b>3,488,116</b>
<b>EQUITY</b>			
Equity Share capital	9	10,400	10,400
Other equity		3,123,910	1,982,847
Other Reserve		295,865	-
<b>TOTAL EQUITY</b>		<b>3,430,175</b>	<b>1,993,247</b>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
<b>Financial liabilities</b>			
Lease liabilities	10	2,394	2,394
Provisions	11	248,096	203,589
<b>Total non-current liabilities</b>		<b>250,490</b>	<b>205,983</b>
<b>Current liabilities</b>			
<b>Financial liabilities</b>			
Lease liabilities	10	-	28,485
Trade payables	12	47,893	29,037
Other financial liabilities	13	24,439	6,725
Provisions	11	78,936	159,159
Contract liabilities		888,587	810,355
Current tax liabilities (net)		-	199,316
	14	33,362	55,809
<b>Total current liabilities</b>		<b>1,073,217</b>	<b>1,288,885</b>
<b>TOTAL LIABILITIES</b>		<b>1,323,707</b>	<b>1,494,869</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,753,882</b>	<b>3,488,116</b>

The accompanying notes form an integral part of these standalone financial statements

As per our report attached  
For D Prasanna & Co.  
Chartered Accountants  
Firm Registration No.: 009619S

D Prasanna Kumar  
Proprietor  
Membership No: 211367  
UDIN : 23211367BGXYKN1653  
Bengaluru  
24th May 2023



For and on behalf of the Board of Directors  
Mechworks S.R.L

S D/-  
Srikant Godavarti  
Director

S D/-  
Rishabh Khemka  
Director

**Mechworks S.R.L**  
**Statement of Profit and Loss for the year ended 31 March, 2023**  
(Amount in EUR, unless otherwise stated)

Particulars	Notes	Year Ended	
		31 March 2023	31 March 2022
<b>INCOME</b>			
Revenue from operations	14	2,852,929	2,819,348
Other income	15	7,681	26,479
<b>Total Income</b>		<b>2,860,610</b>	<b>2,845,827</b>
<b>EXPENSES</b>			
Employee benefits expense	16	960,387	1,115,966
Depreciation and amortisation expense	4	32,539	32,931
Sub-contracting / technical fees / third party application		36,368	20,516
Finance costs	17	279	717
Facility expenses		3,411	23,582
Communication		4,499	6,560
Legal and professional charges		97,477	64,776
Other expenses	18	109,845	72,640
<b>Total expenses</b>		<b>1,244,805</b>	<b>1,337,688</b>
<b>Profit before tax</b>		<b>1,615,805</b>	<b>1,508,139</b>
<b>Tax expense</b>			
Current tax	19	474,742	214,966
Deferred tax	19	-	-
<b>Total tax expense</b>		<b>474,742</b>	<b>214,966</b>
<b>Profit for the year</b>		<b>1,141,063</b>	<b>1,293,173</b>
<b>Other comprehensive income (OCI)</b>			
Items that will not be reclassified to profit or loss		-	-
Items that will be reclassified to profit or loss		-	-
<b>Total other comprehensive (loss)/ income for the year, net of taxes</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>1,141,063</b>	<b>1,293,173</b>
<b>Earnings per equity share: (Equity shares of par value EUR 1 each)</b>			
Basic and diluted	20	109.72	124.34
Weighted average number of shares		10,400	10,400

The accompanying notes form an integral part of these standalone financial statements

As per our report attached  
For D Prasanna & Co.  
Chartered Accountants  
Firm Registration No.: 0096195

D Prasanna Kumar  
Proprietor  
Membership No: 211367  
UDIN : 23211367BGXYKN1653  
Bengaluru  
24th May 2023



For and on behalf of the Board of Directors  
Mechworks S.R.L

SD/-  
Srikant Godavarti  
Director

SD/-  
Rishabh Khemka  
Director

**Mechworks S.R.L**  
**Statement of Cashflow for the year ended 31 March, 2023**  
(Amount in EUR, unless otherwise stated)

	31 March 2023	31 March 2022
<b>Cash flows from operating activities:</b>		
Profit for the year	1,141,063	1,293,173
<b>Adjustments to reconcile profit for the year to net cash generated from operating activities:</b>		
Merger of Wipro Italia S.R.L. with Mechworks S.R.L.	295,865	-
Depreciation and amortisation expense	32,539	32,931
Asset Written off During the year	3	
Income tax expense	474,742	214,966
Interest Expenses	279	717
<b>Changes in operating assets and liabilities;</b>		
Trade receivables	52,805	(73,636)
Unbilled receivables and contract assets	(13,302)	(13,713)
Other assets	(45,504)	355
Trade payables, accrued expenses, other liabilities and provisions	(21,593)	149,585
Contract liabilities	78,232	24,004
Cash generated from operating activities before taxes	1,995,128	1,628,382
Income taxes paid, net	(661,978)	(183,057)
<b>Net cash generated from operating activities</b>	<b>1,333,150</b>	<b>1,445,325</b>
<b>Cash flows from investing activities:</b>		
Purchase of property, plant and equipment	(4,341)	(9,897)
<b>Net cash generated from/(used in) investing activities</b>	<b>(4,341)</b>	<b>(9,897)</b>
<b>Cash flows from financing activities:</b>		
Interest paid	(279)	(717)
Repayment of lease liabilities	(28,485)	(28,048)
<b>Net cash from in financing activities</b>	<b>(28,764)</b>	<b>(28,765)</b>
<b>Net increase in cash and cash equivalents during the year</b>	<b>1,300,045</b>	<b>1,406,662</b>
Cash and cash equivalents at the beginning of the year	2,651,153	1,244,491
<b>Cash and cash equivalents at the end of the year</b>	<b>3,951,198</b>	<b>2,651,153</b>

The accompanying notes form an integral part of these standalone financial statements

As per our report attached  
For D Prasanna & Co.  
Chartered Accountants  
Firm Registration No.: 009619S

D Prasanna Kumar  
Proprietor  
Membership No: 211367  
UDIN : 23211367BGXYKN1653  
Bengaluru  
24th May 2023



For and on behalf of the Board of Directors  
Mechworks S.R.L

SD/-  
Srikant Godavarti  
Director

SD/-  
Rishabh Khemka  
Director



**Mechworks S.R.L**  
**Statement of Changes in Equity for the year ended 31 March, 2023**  
(Amount in EUR, unless otherwise stated)

**A. EQUITY SHARE CAPITAL**

Particulars	31 March, 2023		31 March 2022	
	No. of shares	Amount	No. of shares	Amount
Opening number of equity shares	10,400	10,400	10,400	10,400
Closing number of equity shares	10,400	10,400	10,400	10,400

**B. OTHER EQUITY**

Particulars	Retained Earnings	
	31 March 2023	31 March 2022
Opening balance	1,982,847	689,418
Total comprehensive income for the period	1,141,063	1,293,173
Less: Dividend paid during the year	-	-
Closing Balance	3,123,910.28	1,982,847

**C. Other Reserves**

Particulars	Other Reserves	
	31 March 2023	31 March 2022
Other Reserves	295,865	-

\*Other reserve balance pertains to reserve created on merger of Wipro Italia S.R.L. with Mechworks S.R.L, from 1<sup>st</sup> April, 2022.  
The accompanying notes form an integral part of these standalone financial statements

As per our report attached

For D Prasanna & Co.  
Chartered Accountants

Firm Registration No.: 0096195

D Prasanna Kumar  
Proprietor

Membership No: 211367

UDIN : 23211367BGXYKN1653

Bengaluru

24th May 2023



For and on behalf of the Board of Directors  
Mechworks S.R.L

SD/-  
Srikant Godavarti  
Director

SD/-  
Rishabh Khemka  
Director

**Mechworks S.R.L**  
**Summary of significant accounting policies and other explanatory information**  
(Amount in EUR, unless otherwise stated)

9. Equity Share Capital (Values in USD)	As at	
	31 March 2023	31 March 2022
I. Authorised capital		
10,400 equity shares of EUR 1 each	10,400	10,400
	<u>10,400</u>	<u>10,400</u>
II. Issued, subscribed and fully paid-up capital		
10,400 equity shares of EUR 1 each	10,400	10,400
	<u>10,400</u>	<u>10,400</u>

(i.) Shares held by holding company (International Technegroup S.r.L, the holding company)

Particulars	31 March 2023	31 March 2022
No. of Equity shares of EUR 1 each	10,400	10,400

(ii.) Details of shareholders holding more than 5% of the total equity shares of the Company

Name of the Shareholder	As at Mar 31, 2023		As at March 31, 2022	
	No. of Shares	% held	No. of Shares	% held
International Technegroup Incorporation	10,400	100.00	10,400	100.00



**Mechworks S.R.L.**  
**Summary of significant accounting policies and other explanatory information.**  
**(Amount in Euro, unless otherwise stated)**

**1. The Company overview**

MechWorks S.r.l. offers high-performance software in the development of Product Data Management (PDM)/Computer Aided Design (CAD)/Computer Aided Manufacturing (CAM) vertical solutions, with an emphasis on technical data management. Mechworks S.r.l is the group company of International Technegroup Incorporated, which was acquired by Wipro IT Services LLC on October 1, 2019.

**2. Basis of preparation of financial statements**

**(i) Statement of compliance and basis of preparation**

This special purpose financial statement is prepared for inclusion in the annual report of the Ultimate Holding Company (Wipro limited) under the requirements of section 129(3) of the Companies Act, 2013.

These financial statements are prepared in accordance with Indian Accounting Standards ("Ind AS"), the provisions of the Companies Act, 2013 ("the Companies Act"). The Ind AS are prescribed under Section 133 of the Act read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016.

Accounting policies have been applied consistently to all periods presented in these financial statements.

The financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards under Companies (Indian Accounting Standards) Rules as issued from time to time. On 31 March 2023, MCA amended the Companies (Indian Accounting Standards) Rules, 2015 by issuing the Companies (Indian Accounting Standards) Amendment Rules, 2023, applicable from 1 April 2023, as below:

**Ind AS 1 - Presentation of Financial Statements**

The amendments require companies to disclose their material accounting policies rather than their significant accounting policies. Accounting policy information, together with other information, is material when it can reasonably be expected to influence decisions of primary users of general purpose financial statements. The Company does not expect this amendment to have any significant impact in its financial statements.

**Ind AS 8 - Accounting Policies, Changes in Accounting Estimates and Errors**

The amendment has introduced a definition of 'accounting estimates' and included amendments to Ind AS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates. The effective date for adoption of this amendment is annual periods beginning on or after 1 April 2023. The Company does not expect this amendment to have any significant impact in its financial statements

**Ind AS 12 - Income Taxes**

The amendments clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of Ind AS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The Company does not expect this amendment to have any significant impact in its financial statements.

The preparation of the special purpose 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 those estimates.

Estimates and underlying assumptions are reviewed on an ongoing 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 special purpose financial statements are included in the following notes:

- a) **Revenue recognition:** The Company uses the percentage of completion method using the input (cost expended) method to measure progress towards completion in respect of fixed price contracts. Percentage of completion method accounting relies on estimates of total expected contract revenue and costs. This method is followed when reasonably dependable estimates of the revenues and costs applicable to various elements of the contract can be made. Key factors that are reviewed in estimating the future costs to complete include estimates of future labor costs and productivity efficiencies. Because the financial reporting of these contracts depends on estimates that are assessed continually during the term of these contracts, recognised revenue and profit are subject to revisions as the contract progresses to completion. When estimates indicate that a loss will be incurred, the loss is provided for in the period in which the loss becomes probable. Volume discounts are recorded as a reduction of revenue. When the amount of discount varies with the levels of revenue, volume discount is recorded based on estimate of future revenue from the customer. Revenue is recognized on net basis in scenario where the company is not the primary obligor.



**Mechworks S.R.L.**  
**Summary of significant accounting policies and other explanatory information**  
**(Amount in Euro, unless otherwise stated)**

**b) Income taxes:** The major tax jurisdictions for the Company is in Italy. Significant judgments are involved in determining the provision for income taxes including judgment on whether tax positions are probable of being sustained in tax assessments. A tax assessment can involve complex issues, which can only be resolved over extended time periods.

**c) 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 realization 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.

**d) Expected credit losses on financial assets:** The impairment provisions of financial assets are based on assumptions about risk of default and expected timing of collection. The Company uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's history of collections, customer's creditworthiness, existing market conditions as well as forward looking estimates at the end of each reporting period.

**e) Useful lives of property, plant and equipment:** The Company depreciates property, plant and equipment on a straight-line basis over estimated useful lives of the assets. The charge in respect of periodic depreciation is derived based on an estimate of an asset's expected useful life and the expected residual value at the end of its life. 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. The estimated useful life is reviewed at least annually.

**f) Ind AS 116 defines a lease term as the non-cancellable period for which the lessee has the right to use an underlying asset including optional periods, when an entity is reasonably certain to exercise an option to extend (or not to terminate) a lease. The Company considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option when determining the lease term.**

The option to extend the lease term is included in the lease term, if it is reasonably certain that the lessee would exercise the option. The Company reassesses the option when significant events or changes in circumstances occur that are within the control of the lessee.

### **3. Significant accounting policies**

#### **(i) Functional and presentation currency**

These special purpose financial statements are presented in Euro, which is the functional currency of the Company.

#### **(ii) Foreign currency transactions and translation**

Transactions in foreign currency are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation at the exchange rates prevailing at the reporting date of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit and loss and reported within foreign exchange gains/(losses), net, within results of operating activities except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Gains/(losses), net, relating to translation or settlement of borrowings denominated in foreign currency are reported within finance expense. Non-monetary assets and liabilities denominated in foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction. Translation differences on non-monetary financial assets measured at fair value at the reporting date, such as equities classified as fair value through other comprehensive income are included in other comprehensive income, net of taxes.

#### **(iii) Financial instruments**

##### **a) Non-derivative financial instruments:**

Non derivative financial instruments consist of:

- financial assets, which include cash and cash equivalents, trade receivables, unbilled revenues, finance lease receivables, employee and other advances, investments in equity and debt securities and eligible current and noncurrent assets; Financial assets are derecognised when substantial risks and rewards of ownership of the financial asset have been transferred. In cases where substantial risks and rewards of ownership of the financial assets are neither transferred nor retained, financial assets are derecognised only when the Company has not retained control over the financial asset.
- financial liabilities, which include long and short-term loans and borrowings, bank overdrafts, trade payables, eligible current and non-current liabilities.
- Non- derivative financial instruments are recognised initially at fair value.

Sub-sequent to initial recognition, non-derivative financial instruments are measured as described below:



**Mechworks S.R.L.**  
**Summary of significant accounting policies and other explanatory information**  
**(Amount in Euro, unless otherwise stated)**

**A. Cash and cash equivalents**

The Company's cash and cash equivalents consist of cash on hand and in banks and demand deposits with banks, which can be withdrawn at any time, without prior notice or penalty on the principal.

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand, in banks and demand deposits with banks, net of outstanding bank overdrafts that are repayable on demand and are considered part of the Company's cash management system. In the balance sheet, bank overdrafts are presented under borrowings within current liabilities.

**B. Other financial assets:**

Other financial assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the reporting date which are presented as non-current assets. These are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment losses. These comprise trade receivables, unbilled revenues, cash and cash equivalents and other assets.

**C. Trade and other payables**

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method. For these financial instruments, the carrying amounts approximate fair value due to the short-term maturity of these instruments.

**(iv) Equity**

**a) Share capital and share premium**

The authorized share capital of the Company as of March 31, 2023 EUR 10,400 divided into 10,400 equity shares of EUR 1 each. Par value of the equity shares is recorded as share capital and the amount received in excess of par value is classified as share premium.

**b) Retained earnings**

Retained earnings comprises of the Company's undistributed earnings after taxes.

**c) Dividend**

A final dividend, including tax thereon, on equity shares is recorded as a liability on the date of approval by the shareholders. An interim dividend, including tax thereon, is recorded as a liability on the date of declaration by the board of directors.

**d) Other reserves**

Changes in the fair value of financial instruments measured at fair value through other comprehensive income, other than impairment loss, and actuarial gains and losses on defined benefit plans is recognized in other comprehensive income (net of taxes), and presented within equity in other reserves.

**(v) Property, plant and equipment**

**a) Recognition and measurement**

Property, plant and equipment are measured at cost less accumulated depreciation & impairment losses if any. Cost includes expenditures directly attributable to the acquisition of the asset. General & Specific borrowing costs directly attributable to the construction of a qualifying asset are capitalised as part of the cost.

**b) Depreciation**

The Company depreciates property, plant and equipment over the estimated useful life on a straight-line basis from the date the assets are available for use. Assets acquired under finance lease and leasehold improvements are amortised over the shorter of estimated useful life of the asset or the related lease term. Term licenses are amortised over their respective contract term. Freehold land is not depreciated. The estimated useful life of assets are reviewed and where appropriate are adjusted, annually. The estimated useful lives of assets are as follows:

Category	Useful Life
Buildings	Useful life or lease term whichever is lower
Computer equipment and software	2 TO 7 years
Furniture, fixtures and equipment	3 to 10 years



**Mechworks S.R.L.**  
**Summary of significant accounting policies and other explanatory information**  
**(Amount in Euro, unless otherwise stated)**

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Subsequent expenditure relating to property, plant and equipment is capitalised only when it is probable that future economic benefits associated with these will flow to the Company and the cost of the item can be measured reliably.

The cost of property, plant and equipment not available for use before such date are disclosed under capital work-in-progress.

**(vi) Leases**

The Company evaluates each contract or arrangement, whether it qualifies as lease as defined under IND AS 116.

**a) Arrangements where the Company is the lessee**

The Company assesses, whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract involves-

- (a) the use of an identified asset,
- (b) the right to obtain substantially all the economic benefits from use of the identified asset, and
- (c) the right to direct the use of the identified asset.

The Company at the inception of the lease contract recognizes a Right-of-Use (RoU) asset at cost and corresponding lease liability, except for leases with term of less than twelve months (short term) and low value assets.

The cost of the right-of-use assets comprises the amount of the initial measurement of the lease liability, any lease payments made at or before the inception date of the lease plus any initial direct costs, less any lease incentives received. Subsequently, the right-of-use assets is measured at cost less any accumulated straight-line method from the commencement date over the shorter of lease term or useful life of right-of use assets.

The Company applies IND AS 36 to determine whether a RoU asset is impaired and accounts for any identified impairment loss as described in the impairment of non-financial assets included as part of our annual financial statements for the year ended March 31, 2023.

For lease liabilities at inception, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate is readily determined, if that rate is not readily determined, the lease payments are discounted using the incremental borrowing rate.

The Company recognizes the amount of the re-measurement of lease liability as an adjustment to the right of-use assets. Where the carrying amount of the right-of-use assets is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company recognizes any remaining amount of the re-measurement in consolidated statement of income. Company has elected not to apply requirements of para 22-49 of Ind AS 116 to short term leases and low value leases. For short-term and low value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the lease term.

**a) Arrangements where the Company is the lessor**

In certain arrangements, the Company recognises revenue from the sale of products given under finance leases. The Company records gross finance receivables, unearned income and the estimated residual value of the leased equipment on consummation of such leases. Unearned income represents the excess of the gross finance lease receivable plus the estimated residual value over the sales price of the equipment. The Company recognises unearned income as finance income over the lease term using the effective interest method.

**(vii) Impairment**

**A) Financial assets**

The Company assesses at each date of balance sheet whether a financial asset or a group of financial assets is impaired. Ind AS 109 requires expected credit losses to be measured through a loss allowance. The company recognises lifetime expected losses for all contract assets and/or all trade receivables that do not constitute a financing transaction. 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 lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

**B) Non - financial assets**

The Company assesses long-lived assets such as property, plant and equipment and acquired intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or group of assets may not be recoverable. If any such indication exists, the Company estimates the recoverable amount of the asset or group of assets. The recoverable amount of an asset or cash generating unit is the higher of its fair value less cost of disposal (FVLCD) and its value



**Mechworks S.R.L.**  
**Summary of significant accounting policies and other explanatory information**  
**(Amount in Euro, unless otherwise stated)**

in-use (VIU). The VIU of long-lived assets is calculated using projected future cash flows. FVLCD of a cash generating unit is computed using turnover and earnings multiples.

If the recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the statement of profit and loss. If at the reporting date, there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the impairment losses previously recognized are reversed such that the asset is recognised at its recoverable amount but not exceeding written down value which would have been reported if the impairment losses had not been recognised initially.

**(viii) Employee benefits**

**a) Termination benefits**

Termination benefits are expensed when the Company can no longer withdraw the offer of those benefits.

**b) Short-term benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are recorded as expense as the related service is provided. A liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans, if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**c) Compensated absences**

The employees of the Company are entitled to compensated absences. The Company records an obligation for compensated absences in the period in which the employee renders the services that increases this entitlement. Non-accumulating compensated absences are recognised in the period in which the absences occur.

**(ix) Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset, if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions for onerous contracts are recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. Provision for onerous contracts are measured at the present value of lower of the expected net cost of fulfilling the contract and the expected cost of terminating the contract.

**(x) Revenue**

The Company derives revenue primarily from software development, maintenance of software/hardware and related services, business process services, sale of IT and other products.

**a) Services**

The Company recognises revenue when the significant terms of the arrangement are enforceable, services have been delivered and the collectability is reasonably assured. The method for recognizing revenues and costs depends on the nature of the services rendered:

**A. Time and materials contracts**

Revenues and costs relating to time and materials contracts are recognised as the related services are rendered.

**B. Fixed-price contracts**

Revenues from fixed-price contracts, including systems development and integration contracts are recognised using the "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. If the Company does not have a sufficient basis to measure the progress of completion or to estimate the total contract revenues and costs,



**Mechworks S.R.L.**  
**Summary of significant accounting policies and other explanatory information**  
**(Amount in Euro, unless otherwise stated)**

revenue is recognised only to the extent of contract cost incurred for which recoverability is probable. When total cost estimates exceed revenues in an arrangement, the estimated losses are recognised in the statement of profit and loss in the period in which such losses become probable based on the current contract estimates.

A contract asset is a right to consideration that is conditional upon factors other than the passage of time. Contract assets primarily relate to unbilled amounts on fixed-price development contracts and are classified as non-financial asset as the contractual right to consideration is dependent on completion of contractual milestones.

A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from the customer. Unbilled revenues on other than fixed price development contracts are classified as a financial asset where the right to consideration is unconditional upon passage of time.

**C. Maintenance contracts**

Revenue from maintenance contracts is recognised rateably over the period of the contract using the percentage of completion method. When services are performed through an indefinite number of repetitive acts over a specified period of time, revenue is recognised on a straight-line basis over the specified period unless some other method better represents the stage of completion.

In certain projects, a fixed quantum of service or output units is agreed at a fixed price for a fixed term. In such contracts, revenue is recognised with respect to the actual output achieved till date as a percentage of total contractual output. Any residual service unutilised by the customer is recognised as revenue on completion of the term.

Revenue recognition is done on straight line basis over the term of performance obligation using the output method (with respect to time).

**D. Products**

Revenue on product sales are recognized when the customer obtains control of the specified asset.

**A. Contract Asset and Liabilities**

The Company classifies its right to consideration in exchange for deliverables as either a receivable or a contract asset.

A receivable is a right to consideration that is unconditional. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due. For example, the company recognizes a receivable for revenues related to time and materials contracts or volume-based contracts. We present such receivables as part of Trade receivables at their net estimated realizable value.

Contract assets and liabilities are reported in a net position on a contract by contract basis at the end of each reporting period.

**B. Remaining Performance Obligations**

Revenue allocated to remaining performance obligations represents contracted revenue that has not yet been recognized which includes unearned revenue and amounts that will be invoiced and recognized as revenue in future periods.

**C. Disaggregation of Revenues**

The table below presents disaggregated revenues from contracts with customers by business segment and contract type. The Company believes that the below disaggregation best depicts the nature, amount, timing and uncertainty of revenue and cash flows from economic factors.

Particulars	Amount in EUR
Revenue	
Sale of services	2,852,929
Revenue by nature of contract	
Fixed Fee	2,852,929

**(xi) Finance cost**

Finance cost 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.





**Mechworks S.R.L.**  
**Summary of significant accounting policies and other explanatory information**  
**(Amount in Euro, unless otherwise stated)**

**(xii) Other income**

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

**(xiii) Income tax**

Income tax comprises current and deferred tax. Income tax expense is recognised in the statement of profit and loss except to the extent it relates to a business combination, or items directly recognised in equity or in other comprehensive income.

**a) Current income tax**

Current income tax for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the taxable income for the period. The tax rates and tax laws used to compute the current tax amount are those that are enacted or substantively enacted as at the reporting date and applicable for the period. The Company offsets current tax assets and current tax liabilities, where it has a legally enforceable right to set off the recognised amounts and where it intends either to settle on a net basis, or to realise the asset and liability simultaneously.

**b) Deferred income tax**

Deferred income tax 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 special purpose 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 assets are recognised to the extent 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 utilised.

Deferred income tax liabilities are recognised for all taxable temporary differences except in respect of taxable temporary differences that is expected to reverse within the tax holiday period, taxable temporary differences associated with investments in subsidiaries, associates and foreign branches where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

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

The Company offsets deferred income tax assets and liabilities, where it has a legally enforceable right to offset current tax assets against current tax liabilities, and they relate to taxes levied by the same taxation authority on either the same taxable entity, or on different taxable entities where there is an intention to settle the current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

**(xiv) Earnings per share**

Basic earnings per share is computed using the weighted average number of equity shares outstanding during the period adjusted for treasury shares held. Diluted earnings per share is computed using the weighted-average number of equity and dilutive equivalent shares outstanding during the period, using the treasury stock method for options and warrants, except where the results would be anti-dilutive.

**(xv) Cash flow statement**

Cash flow are reported using the indirect method, whereby profit for the period is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash from operating, investing and financing activities of the Company are segregated.



## Mechworks S.R.L

### Summary of significant accounting policies and other explanatory information

(Amount in EUR, unless otherwise stated)

4 Property, plant and equipment	Right of use assets*	Computers	Office equipment	Total
<b>Gross carrying value:</b>				
As at April 1, 2022	100,179	59,166	45	159,390
Additions during the year	-	4,341	-	4,341
Disposals/ adjustments	-	(405)	-	(405)
As at Mar 31, 2023	<u>100,179</u>	<u>63,101</u>	<u>45</u>	<u>163,325</u>
<b>Accumulated depreciation/ impairment:</b>				
As at April 1, 2022	71,187	49,102	38	120,326
Depreciation	26,762	5,771	6	32,539
Disposals/ adjustments	-	(402)	-	-
As at Mar 31, 2023	<u>97,949</u>	<u>54,470</u>	<u>44</u>	<u>152,865</u>
<b>Net book value as at March 31, 2023</b>	<u><u>2,230</u></u>	<u><u>8,631</u></u>	<u><u>1</u></u>	<u><u>10,862</u></u>
<b>Gross carrying value:</b>				
As at April 1, 2021	100,179	49,268	45	149,492
Additions during the year	-	9,897	-	9,897
Disposals/ adjustments	-	-	-	-
As at March 31, 2022	<u>100,179</u>	<u>59,166</u>	<u>45</u>	<u>159,390</u>
<b>Accumulated depreciation/ impairment:</b>				
As at April 1, 2021	42,930	44,436	29	87,395
Depreciation	28,257	4,665	9	32,931
Disposals/ adjustments	-	-	-	-
As at March 31, 2022	<u>71,187</u>	<u>49,102</u>	<u>38</u>	<u>120,326</u>
<b>Net book value as at March 31, 2022</b>	<u><u>28,992</u></u>	<u><u>10,064</u></u>	<u><u>7</u></u>	<u><u>39,063</u></u>



## Mechworks S.R.L

### Summary of significant accounting policies and other explanatory information

(Amount in EUR, unless otherwise stated)

	As at	
	31 March 2023	31 March 2022
5 Other assets		
Non current		
Prepaid expenses		-
Security deposits	2,371	2,371
	2,371	2,371
Current		
Prepaid expenses	42,486	26,853
Others	30,092	221
	72,578	27,074
<b>Total Other assets</b>	<b>74,948</b>	<b>29,445</b>
6 Trade receivables	31 March 2023	31 March 2022
Unsecured		
Considered good	373,562	426,367
Considered doubtful	28,768	4,965
	(28,768)	(4,965)
<b>Total Trade receivables</b>	<b>373,562</b>	<b>426,367</b>
Opening balance	4,965	10,193
Provision created for the period	28,768	4,965
Reversals	(4,965)	(10,193)
Closing Balance	28,768	4,965
7 Cash and cash equivalents	31 March 2023	31 March 2022
Balances with banks		
Current accounts	3,951,196	2,651,153
	<b>3,951,196</b>	<b>2,651,153</b>
8 Other financial assets	31 March 2023	31 March 2022
Advances given to related parties (refer note 23)		-
	-	-



## Mechworks S.R.L

### Summary of significant accounting policies and other explanatory information

(Amount in EUR, unless otherwise stated)

	As at	
	31 March 2023	31 March 2022
<b>10 Lease liabilities</b>		
<b>Non Current</b>		
Finance lease obligation	2,393.88	2,394
	2,393.88	2,394
<b>Current</b>		
Finance lease obligation		28,485
	-	28,485
	2,393.88	30,879
<b>11 Provisions</b>	31 March 2023	31 March 2022
<b>Non Current</b>		
Provision for employee benefit expenses	-	-
Provision for severance pay	212,487	203,589
Provision for Compensated Absences	35,610	
	248,096	203,589
<b>Current</b>		
Provision for employee benefit expenses	46,357	80,388
Provision for Compensated Absences	32,579	78,771
	78,936	159,159
	327,033	362,749
<b>12 Trade payables</b>	31 March 2023	31 March 2022
Trade payables	26,768	837
Accrued expenses	21,124	28,200
	47,893	29,037
<b>13 Other Financial Liabilities</b>	31 March 2023	31 March 2022
<b>Current</b>		
Other Payables*	24,439	6,725
	24,439	6,725
<b>14 Other Financial Liabilities</b>	31 March 2023	31 March 2022
<b>Current</b>		
Statutory dues payable	33,362	55,809
	33,362	55,809



Mechworks S.R.L

Summary of significant accounting policies and other explanatory information

(Amount in EUR, unless otherwise stated)

	Year Ended 31 March, 2023	Year ended 31 March 2022
<b>14 Revenue from operations</b>		
Sale of services	2,852,929	2,819,348
	<u>2,852,929</u>	<u>2,819,348</u>
<b>15 Other income</b>	<b>31 March, 2023</b>	<b>31 March 2022</b>
Interest income	7,681	-
Allowance for lifetime expected credit loss	-	5,228
Tax credit	-	21,251
	<u>7,681</u>	<u>26,479</u>
<b>16 Employee benefits</b>	<b>31 March, 2023</b>	<b>31 March 2022</b>
Salaries and allowances	886,590	919,762
Bonus and incentives	80,615	116,183
Staff welfare expenses	3,765	1,250
Compensated absences	(10,583)	78,771
Total employee benefits	<u>960,387</u>	<u>1,115,966</u>
<b>17 Finance costs</b>	<b>31 March, 2023</b>	<b>31 March 2022</b>
Interest on finance lease	279	717
	<u>279</u>	<u>717</u>
<b>18 Other expenses</b>	<b>31 March, 2023</b>	<b>31 March 2022</b>
Rates, taxes and insurance	70,535	23,576
Subscription & Membership Fees	-	2,399
Audit fees	(61,032)	-
Software Licence Fees	2,117	9,572
Bank Charges	9,660	7,092
Repairs and maintenance	16,928	930
Miscellaneous Onsite Claims	-	65
Other Foreign exchange gains/(losses), net	18,336	23,268
Administrative expenses	18,621	5,738
Allowance for lifetime expected credit loss	24,529	-
Business Promotion Expense	3,968	-
Short term Lease rent	6,181	-
	<u>109,845</u>	<u>72,640</u>



Mechworks S.R.L.

Summary of significant accounting policies and other explanatory information

(Amount in EUR, unless otherwise stated)

19 Income tax

Income tax expense has been allocated as follows:

	31 March, 2023	31 March 2022
Income tax expense		
Domestic		
Current taxes	474,742	214,966
Prior year current taxes	-	-
Total income taxes	<u>474,742</u>	<u>214,966</u>

A reconciliation of the income tax provision to the amount computed by applying the statutory income tax rate to the income before income taxes is summarized as below

	Year ended 31 March 2023	Year ended 31 March 2022
Profit before income tax	1,615,805	1,508,139
Enacted tax rates in the Italy (%)	27.90%	27.90%
Computed tax expenses	450,809	420,770
Tax expenses of earlier years	23,933	(205,803)
	<u>474,742</u>	<u>214,966</u>

20 Earnings per equity share

	31 March, 2023	31 March 2022
Profit for the period	1,141,063	1,293,173
Weighted average number of equity shares	10,400	10,400
Basic and diluted earnings per share	109.72	124.34
Nominal value - per equity share	1	1

21 Leases related disclosures

Total lease liabilities are analysed as follows:

	Year Ended 31 March, 2023	Year ended 31 March 2022
Denominated in the following currencies:		
In Euros	2,394	30,879
Other currencies	-	-
Current	-	28,485
Non current	2,394	2,394
	<u>2,394</u>	<u>30,879</u>

*This space has been intentionally left blank*



**Mechworks S.R.L**  
**Summary of significant accounting policies and other explanatory information**  
(Amount in EUR, unless otherwise stated)

**22 Related Party Relationships, Transactions and Balances**

i) The following are the entities with which the Company has related party transactions:

Name of the Party	Relationship with the Company	Country of incorporation
Wipro Limited	Ultimate Holding Company	India
International Technegroup Incorporated	Holding Company	USA
International TechneGroup S.R.L	Immediate Holding Company	Italy

ii) The Company had the following transactions with related parties :

Particulars	Year ended	
	31 March 2023	31 March 2022
Software Licence Revenue		
Wipro Limited	-	3,820
Others		
Wipro Limited	31,338	-

iii) Balances with related parties are summarised below:

Particulars	As at	
	31 March 2023	31 March 2022
Payable		
Wipro Limited	-	3,820
Receivable		
Wipro Limited	27,519	-

**23 Commitments and contingencies**

There are no contingent liabilities, capital and other commitments as at March 31, 2023 and March 31, 2022.

**24 Segment Reporting**

The Company operates in one business segment, namely sale of software services. In line with IND-AS 108, as the relevant information is available from balance sheet and the statement of profit and loss itself, and keeping in view the objective of segment reporting, the Company is not required to disclose segment information as per IND AS -108.



**Mechworks S.R.L**  
**Summary of significant accounting policies and other explanatory information**  
(Amount in EUR, unless otherwise stated)

26 Financial instruments

Financial instruments by category

The carrying value and fair value of financial instruments by categories as at 31 March, 2023 were as follows :

Particulars	Note	FVTPL	Amortized cost	Total carrying value	Total fair value
<b>Financial assets :</b>					
Trade receivables	6	-	373,562	373,562	373,562
Cash and cash equivalents	7	-	3,951,196	3,951,196	3,951,196
Unbilled revenues		-	347,230	347,230	347,230
<b>Total financial assets</b>		-	<b>4,671,989</b>	<b>4,671,989</b>	<b>4,671,989</b>
<b>Financial liabilities :</b>					
Lease liabilities	10	-	2,394	2,394	2,394
Trade payables	12	-	47,893	47,893	47,893
Other financial liabilities	13	-	24,439	24,439	24,439
<b>Total financial liabilities</b>		-	<b>74,725</b>	<b>74,725</b>	<b>74,725</b>

The carrying value and fair value of financial instruments by categories as at 31 March, 2022 were as follows :

Particulars	Note	FVTPL	Amortized cost	Total carrying value	Total fair value
<b>Financial assets :</b>					
Trade receivables	6	-	426,367	426,367	426,367
Cash and cash equivalents	7	-	2,651,153	2,651,153	2,651,153
Unbilled revenues		-	342,088	342,088	342,088
<b>Total financial assets</b>		-	<b>3,419,608</b>	<b>3,419,608</b>	<b>3,419,608</b>
<b>Financial liabilities :</b>					
Lease liabilities	10	-	30,879	30,879	30,879
Trade payables	12	-	29,037	29,037	29,037
Other financial liabilities	13	-	6,725	6,725	6,725
<b>Total financial liabilities</b>		-	<b>66,640</b>	<b>66,640</b>	<b>66,640</b>

Notes to financial instruments

- i. The management assessed that the fair value of cash and cash equivalents, trade receivables, loans, other financial assets, trade payables, borrowings and other financial liabilities approximate the carrying amount largely due to short-term maturity of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The Company has measured investments in equity shares of subsidiaries and joint ventures at the deemed cost. The Company has considered the carrying amount under previous GAAP as the deemed cost.

ii. Fair value hierarchy

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

Level 1: Quoted prices (unadjusted) in active markets for financial instruments.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly

Level 3: Unobservable inputs for the asset or liability.

Measurement of fair value of financial instruments

The Company's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialist for complex valuations, wherever necessary. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximizing the use of market-based information.





## Mechworks S.R.L

### Summary of significant accounting policies and other explanatory information

(Amount in EUR, unless otherwise stated)

#### 27 Financial risk management

The Company's activities expose it to market risk, liquidity risk and credit risk. This note explains the sources of risk which the entity is exposed to and how the entity manages the risk and the related impact in the financial statements.

Risk	Exposure arising from	Measurement
Credit risk	Cash and cash equivalent, trade receivables, financial assets measured at amortized cost	Ageing analysis
Liquidity risk	Borrowings and other financial liabilities	Rolling cash flow forecasts
Market risk -Interest rate	Long-term borrowings at variable rates	Sensitivity analysis

The Company's risk management is carried out by a central treasury department (of the group) under policies approved by the board of directors. The board of directors provides written principles for overall risk management, as well as policies covering specific areas, such interest rate risk, credit risk and investment of excess liquidity.

#### A Credit risk

Credit risk arises from cash and cash equivalents, trade receivables, investments carried at amortized cost and deposits with banks and financial institutions.

##### Credit risk management

The finance function of the Company assesses and manages credit risk based on internal credit rating system. Internal credit rating is performed for each class of financial instruments with different characteristics.

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an on-going basis throughout each reporting period. In general, it is presumed that credit risk has significantly increased since initial recognition if the payments are more than 30 days past due. A default on a financial asset is when the counterparty fails to make contractual payments when they fall due. This definition of default is determined by considering the business environment in which entity operates and other macro-economic factors.

##### Expected credit loss for trade receivables under simplified approach

During the periods presented, the Company made no write-offs of trade receivables and it does not expect to receive future cash flows or recoveries from collection of cash flows previously written off.

##### Concentration Risk

The table below provides the details of the customer having balance of more than 10% of the total account receivable of the entity:-

Particulars	As at 31 March 2023	As at 31 March 2022
No of customers who owed more	5	4
Contribution of customers in owin	67%	54%



## Mechworks S.R.L

### Summary of significant accounting policies and other explanatory information

(Amount in EUR, unless otherwise stated)

#### 27 Financial risk management (continued)

##### B Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. Due to the nature of the business, the Company maintains flexibility in funding by maintaining availability under committed facilities.

Management monitors rolling forecasts of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows. The Company takes into account the liquidity of the market in which the entity operates. In addition, the Company's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

##### Maturities of financial liabilities

The tables below analyze the Company's financial liabilities into relevant maturity groupings based on their contractual maturities for all financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

31 March 2023	Less than 1 year	1 year to 5 years	5 years and above	Total
<b>Non-derivatives</b>				
Lease liabilities	2,394	-	-	2,394
Trade payables	47,893	-	-	47,893
Other financial liabilities	24,439	-	-	24,439
<b>Total</b>	<b>74,725</b>	<b>-</b>	<b>-</b>	<b>74,726</b>
31 March 2022	Less than 1 year	1 year to 5 years	5 years and above	Total
<b>Non-derivatives</b>				
Lease liabilities	28,485	2,394	-	30,879
Trade payables	29,037	-	-	29,037
Other financial liabilities	6,725	-	-	6,725
<b>Total</b>	<b>64,247</b>	<b>2,394</b>	<b>-</b>	<b>66,641</b>

##### C Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of currency risk. Financial instruments affected by market risk include trade and other receivables/ payables. The Company is exposed to foreign currency risk, interest rate risk and certain other price risk, which are a result from both its operating and investing activities.

##### D Interest rate risk

The Company has no borrowings as at 31st March, 2023. They are therefore not subject to interest rate risk as defined in Ind AS 107, 'Financial Instruments - Disclosures', since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

##### E Foreign currency risk

The Company operates internationally and is exposed to foreign exchange risk arising from USD, INR. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The management evaluates rate exposure arising from these transactions and enters into Foreign currency derivative instruments to mitigate such exposure. The company follows risk management policies, including use of derivatives like foreign currency exchange forward options etc.



Mechworks S.R.L

Summary of significant accounting policies and other explanatory information

(Amount in EUR, unless otherwise stated)

28 Capital management

For the purpose of the Company's capital management, capital includes issued capital, additional paid in capital and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Company's capital management is to maximise the shareholder value.

The Company monitors capital using a gearing ratio, which is net debt divided by total equity :

- Equity includes equity share capital and all other equity components, which attributable to the equity holders
- Net Debt includes trade payables and other financial liabilities, less cash and cash equivalents.

		As at	
	Note	31 March 2023	31 March 2022
Lease liabilities	Financial liabilities	2,394	30,879
Less: Cash and cash equivalents	Financial assets	(3,951,196)	(2,651,153)
Net Debt		<u>(3,948,802)</u>	<u>(2,620,274)</u>
Equity share capital	Equity	10,400	10,400
Other equity	Equity	3,123,910	1,982,847
Total capital		<u>3,134,310</u>	<u>1,993,247</u>
Overall financing		<u>(814,492)</u>	<u>(627,027)</u>

Gearing ratio

0.00

0.00

In order to achieve the objective of maximising shareholders value, the Company's capital management, amongst other things, aims to manage its capital structure and makes adjustments in light of changes in economic conditions or its business requirements. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the current and previous years.

29 Events occurring after the reporting date

No adjusting or significant non-adjusting events have occurred between 31 March 2023 and the date of authorization of these financial statements.

As per our report attached

For D Prasanna & Co.

Chartered Accountants

Firm Registration No.: 0096195

D. Prasanna Kumar

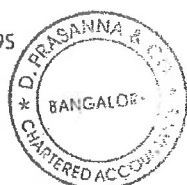
Proprietor

Membership No: 211367

UDIN : 23211367BGXYKN1653

Bengaluru

24th May 2023



For and on behalf of the Board of Directors

Mechworks S.R.L

SD/-

Srikant Godavarti  
Director

SD/-

Rishabh Khemka  
Director