



ANNUAL REPORT

2023-24



CONTENTS



Corporate information	3
Management and Independent Directors	4-6
Board's Report	7-31
Annexures to Board report	32-37
Independent Auditor's Report	38-58
Standalone Financial statements	59-98
Independent Auditor's Report on Consolidated Financial Statements	99-107
Consolidated Financial Statements	108-150

Board of Directors

Board of Directors

Aneesh Reddy Boddu

Founder, Managing Director and CEO

Anant Choubey

Co-founder, Executive Director,
Chief Financial Officer and Chief Operating Officer

Neelam Dhawan

Chairperson and Independent Director

Farid Lalji Kazani

Independent Director

Venkat Ramana Tadanki

Independent Director

Yamini Preethi Natti

Independent Director

Registered & Corporate Office

#360 bearing PID No 101, 360, 15th Cross Rd,
Sector 4, HSR Layout, Bangalore South,
Karnataka, India, 560102

Bankers

HDFC Bank Limited

RBL Bank Limited

Website

www.capillarytech.com

Statutory Auditors

Walker Chandio & Co. LLP

Secretarial Auditors

BMP & Co. LLP

Internal Auditors

Protiviti India Member Private Limited

Committees of the Board

Audit

Farid Lalji Kazani

Anant Choubey

Neelam Dhawan

Venkat Ramana Tadanki

Corporate Social Responsibility

Yamini Preeti Natti

Anant Choubey

Venkat Ramana Tadanki

Risk Management

Neelam Dhawan

Anant Choubey

Farid Lalji Kazani

Nomination and Remuneration

Venkat Ramana Tadanki

Neelam Dhawan

Yamini Preeti Natti

Stakeholder's relationship

Neelam Dhawan

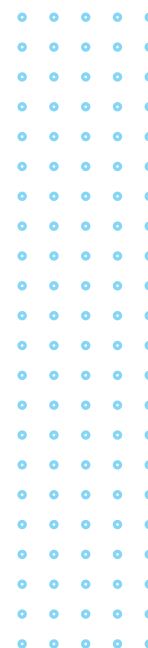
Aneesh Reddy Boddu

Farid Lalji Kazani

Strategic Business Development

Aneesh Reddy Boddu

Anant Choubey





Aneesh Reddy Boddu
Managing Director and CEO

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

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

Outside of Capillary, Aneesh is active in the SaaS ecosystem and an active contributor to SaaSBoomi. He is also curious about spirituality and is an avid vipassana practitioner and a key contributor to the Inner Peace Initiative at Capillary and in the broader SaaS ecosystem in India.



Anant Choubey
Executive Director,
CFO and COO

Anant Choubey is the Executive Director, Chief Financial Officer and Chief Operating Officer of our company. He has been a part of the company since 2010. He holds a bachelor's degree in industrial engineering from the Indian Institute of Technology, Kharagpur. Anant started his career with Procter & Gamble Home Products Private Limited where he led Packing Operations for a green field laundry plant.



Neelam Dhawan
Independent Director



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

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



Farid Lalji Kazani
Independent Director



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

He has been bestowed with several accolades including 'India CFO Award for Excellence in Mergers and Acquisitions' by IMA India in 2016, the 'Best Digital Transformation Critical Finance Expert' award by Acquisitions International magazine at the 2019 Global CFO Excellence Awards and recognition by 99 Media in the 'CFO100 Roll of Honour' for the years 2013, 2015, 2016, 2017, 2018 and 2019 respectively

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



Venkat Ramana
Independent Director



Venkat Ramana Tadanki is an Independent Director of our company. He holds a bachelor's degree in economics (honors) from St. Stephen's College, University of Delhi and a post-graduate diploma in management from the Indian Institute of Management, Calcutta. Venkat has previously held senior executive roles in ITC Ltd, Fortune Tobacco USA and Pepsico India before turning into a serial entrepreneur, co-founding Daksh and Secova. He continues to be an active angel investor and mentor. He is a charter member of TiE SoCal, Southern California., Founder and Board member of SoCal Angel Funds I and II and Managing Partner of Anvaya Ventures, Inc.



Yamini Preethi Natti
Independent Director



Yamini Preethi Natti is an Independent Director of our company. She holds a Bachelor's degree in Computer Science from the Birla Institute of Technology and Science, Pilani and a Post-graduate Diploma in Management from the Indian Institute of Management, Bangalore. She subsequently worked with McKinsey & Company, Inc. She is the Co-founder and Chief Executive Officer of Vymo Inc.

Board's Report

TO THE MEMBERS

CAPILLARY TECHNOLOGIES INDIA LIMITED

Your Directors have pleasure in presenting the 12th Annual Report of the Company together with the Audited Statement of Accounts for the year ended 31st March 2024.

1. Financial Performance

On a consolidated basis, your Company's revenue increased to INR 5902.45mn for the current year as against INR 3226.81mn in the previous year. Your Company's net loss decreased to INR 556.1mn for the current year as against INR 943.27mn in the previous year. On a standalone basis, your Company's revenue decreased to INR 1425.79mn for the current year as against INR 1501.29mn in the previous year. Your Company's net loss decreased to INR 527.40 mn in the current year as against INR 905.56mn in the previous year.

Particulars	INR in Million			
	Standalone		Consolidated	
	2023-24	2022-23	2023-24	2022-23
Revenue from operations	1425.79	1501.29	5902.45	3226.81
Other Income	84.68	61.70	103.40	108.81
Total Expenses	2033.81	2463.63	6644.87	4376.71
Profit/(Loss) before Exceptional items and Tax	(523.34)	(900.64)	(639.02)	(1041.09)
Exceptional items	-	-	-	113.82
Profit/(Loss) before tax	(523.34)	(900.64)	(639.02)	(927.27)
Profit/(Loss) after tax	(523.34)	(900.64)	(593.78)	(877.19)
Other comprehensive income	(4.06)	(4.92)	37.66	(66.08)
Total comprehensive income/(Loss) for the year	(527.40)	(905.56)	(556.12)	(943.27)
EPS				
-Basic	(9.30)	(18.00)	(10.55)	(17.53)
-Diluted	(9.30)	(18.00)	(10.55)	(17.53)

Business performance is highlighted in CEO's message.

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

Your Company does not propose to transfer any amount to the reserves for financial year 2023-24.

1.3 Dividend

Your Company does not propose to declare any dividend for financial year 2023-24.

1.4 Major events occurred during the year

a State of the Company's affairs

• Acquisition of Brierley entities and asset purchase from Tenerity

During April, 2023, the Company through its wholly owned subsidiary i.e Capillary Pte. Ltd, situated at Singapore has acquired entire stake in Capillary Technologies Europe Limited (Formerly Known as Brierley Europe Limited) established under the laws of England and wales and Capillary Brierley Inc (Formerly known as Brierley and Partners Inc) incorporated under the laws of the state of Delaware.

The Company through its wholly owned subsidiary i.e Capillary Pte. Ltd, had purchased assets from Tenerity, LLC-Delaware limited liability Company vide Asset purchase agreement dated May 04, 2023.

b Change in the nature of business

Your Company has not commenced any new business or discontinued/ sold or disposed of any of its existing businesses or hived off any segment or division during the financial year 2023-24 under review.

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

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

1.5 Details of revision of financial statement or the Report

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



2. General Information

People Practice

The People Practice is a strategic corporate function that operates collaboratively across all business units and centers of excellence within an organization. The People Practice team acts as a central hub for all HR-related activities and contributes to the overall success of the organization.

During the year under review, one of the key initiatives undertaken was the integration of talent acquisition tools to streamline and enhance our global recruitment process, particularly focusing on the integration of talent acquisition processes between the US and UK. This integration helped to ensure consistency, efficiency, and effectiveness in our recruitment efforts across geographical boundaries. We implemented Skillate as our primary ATS at Capillary, marking a significant milestone in our talent acquisition strategy. By leveraging Skillate's capabilities, we now aim to improve the quality of hires, reduce time-to-fill, and enhance the overall candidate experience by ensuring a seamless transition of new joiners into the organization through the “Capillary Launchpad” initiative.

This year we established Center of Excellence (‘COEs’) for HR Shared Services and Talent Acquisition in India to manage activities across the globe. Key activities managed by the HR Shared Services COE include but are not limited to payroll administration, benefits administration, employee data management, and HR queries resolution. Similarly, the TA COE was responsible for designing and implementing recruitment strategies, sourcing top talent, managing candidate pipelines, and ensuring a seamless recruitment experience for both candidates and hiring managers across geographies.

The establishment of COEs for HR Shared Services and Talent Acquisition yielded significant outcomes by increasing agility and scalability to support organizational growth and expansion into new markets while maintaining service excellence.

Capillary Academy has established itself as the go-to destination for all product and department-related training programs, featuring a comprehensive array of modules and enhanced reporting mechanisms over the past twelve months. Here are the key highlights for FY year 2023-2024:

- Product bootcamps for new learners and specialized ILTs for partners conducted every quarter.
- 20+ product courses and certifications with use-case-centric content successfully launched for self-paced learning.
- 'Product Training Days' and expert/PM-led sessions organized every quarter for knowledge transfer on new feature releases.
- Curated bite-sized learning videos for quick upskilling.

- Onboarding learning paths launched for CS, CS-Hub, and PSV teams.
- 'Train the Trainer' programs implemented to develop more product experts and trainers globally.
- Gamified learning through Academy leaderboards, Academy Champions, and rewards.

As part of leadership development initiatives, JEDI and senior managers underwent personalized one-on-one coaching sessions tailored to their specific development needs and goals. These coaching sessions provided a space for leaders to reflect on their leadership style, strengths, and areas for growth while ensuring alignment between individual leadership development and organizational priorities. We conducted the First Time Manager Training programs to meet the unique needs, assimilation process and challenges faced by new leaders. These programs covered essential leadership skills, such as communication, conflict resolution, delegation, and performance management, empowering first-time managers to navigate their new roles with confidence and effectiveness. Furthermore, individual coaching engagements were conducted for individuals at various levels of the organization, including first-time managers.

Utilizing the “xto10x platform” to introduce a goal-setting framework aligned with the organization's strategic objectives last year, helped in integrating objective setting, feedback, mid-year reviews and the focal appraisals on the system. This provided an end-to-end visibility on our employees progression and performance for the course of management.

In our continuous efforts to enhance employee satisfaction, the People Practice team collaborated with HODs and managers to analyze and improve the eNPS Scores. Through pulse connects and feedback mechanisms, we identified areas for improvement and addressed concerns or challenges they may be facing.

"HR Open House" and "All Hands Meetings" were organized to facilitate transparency as well as share pertinent information about organizational policies and changes involving employees in decision-making processes.

In alignment with our goal of prioritizing employee well-being, we implemented a diverse range of wellness programs throughout the year 2023-24.

These programs were designed to address various dimensions of well-being, including physical, mental, emotional, and social aspects, fostering a holistic approach to employee wellness. From Launching of monthly health newsletter - FitCap, Annual health checkup and nutrition workshops, Monthly sports challenges, Organizing cricket and badminton tournaments, On-site fitness classes (Yoga, Zumba etc.), to stress management seminars and mindfulness sessions, our wellness programs catered to the diverse needs and interests of our workforce, promoting a healthy work environment.

3. Capital and debt structure

3.1 Issue of shares or other convertible securities

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

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

(i) Authorised Capital:

The Authorised share capital of the Company is as given below:

Date of modification	Equity share Capital	Preference share Capital	Unclassified Capital	Total Authorised Capital
Original Share Capital at the time of Incorporation				
	10,00,000/-	0/-	0/-	10,00,000/-
Subsequent Modifications				
May 04, 2012	1,90,00,000/-	0/-	0/-	1,90,00,000/-
March 27, 2015	2,50,00,000/-	0/-	0/-	2,50,00,000/-
August 19, 2021	11,00,00,000/-	0/-	0/-	11,00,00,000/-
September 29, 2021	11,00,00,000/-	10,00,000/-	0/-	11,10,00,000/-
November 24, 2021	15,00,00,000/-	10,00,000/-	0/-	15,10,00,000/-
March 08, 2024	25,00,00,000/-	10,00,000/-	0/-	25,10,00,000/-

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

As on date of this report, the issued, subscribed and paid-up share capital of the Company has changed from INR. 10,57,83,794/- (Rupees Ten Crore Fifty Seven Lakh Eighty Three Thousand Seven Hundred and Ninety Four Only) to INR. 14,64,68,706/- (Rupees Fourteen Crore Sixty Four Lakh Sixty Eight Thousand Seven Hundred and Six Only) details of which are given below:

Equity Share Capital



Date of allotment	Nature of allotment	No. of equity shares allotted	Face value Per equity share (INR)	Issue price per equity share	Nature of consideration
April 17, 2023	Preferential Allotment	4,65,249	2/-	308/-	Cash
June 27, 2023	Preferential Allotment	3,24,676	2/-	308/-	Cash
August 03, 2023	Preferential Allotment	5,35,715	2/-	308/-	Cash
August 11, 2023	Preferential Allotment	4,87,014	2/-	308/-	Cash
September 29, 2023	Preferential Allotment	48,304	2/-	308/-	Cash
October 05, 2023	Preferential Allotment	35,675	2/-	308/-	Cash
November 15, 2023	Allotment pursuant to exercise of Employee stock options (ESOPs)	5,71,064	2/-	2/-	Cash
December 29, 2023	Conversion of CCDs into Equity Shares	55,24,350	2/-	308/-	Other than Cash
January 16, 2024	Preferential Allotment	3,55,492	2/-	308/-	Cash
January 29, 2024	Preferential Allotment	4,35,065	2/-	Conversion of ECB Loan into Equity shares	Other than Cash
January 31, 2024	Preferential Allotment	2,27,273	2/-	308/-	Cash
February 12, 2024	Preferential Allotment	1,01,785	2/-	308/-	Cash
February 23, 2024	Preferential Allotment	1,78,571	2/-	308/-	Cash
March 28, 2024	Right issue	1,10,52,223	2/-	44/-	cash

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

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

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

The Company has not reduced nor bought back any shares.

d Change in the capital structure resulting from restructuring

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

e. Change in voting rights

There is no change in the voting rights.

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

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

3.3 Details of employee stock options

Pursuant to approval of the members of your Company dated October 29, 2021, the Company had adopted “Capillary Employees Stock Option Scheme– 2021” (hereinafter referred to as the “ESOP 2021”/ “Scheme”) which was amended on November 30, 2021, October 10, 2023, and March 24, 2023. Under the scheme, your Company grants share-based benefits to the eligible employees by granting stock options (“Options”), with a view to attract and retain talent in and within the Company, encourage employees to strive to perform better, and ultimately incentivize such employees who exhibit traits appreciated by the Company.

Disclosure as required under Rule 12 of Companies (Share Capital and Debentures) Rules, 2014 as on March 31, 2024:

(a) options granted;	56,306,51
(b) options vested;	21,70,457
(c) options exercised;	5,71,064
(d) the total number of shares arising as a result of exercise of options;	5,71,064

(e) options lapsed (due to exit of employees):	27,26,333
(f) the exercise price;	Face Value
(g) variation in terms of options;	Not applicable
(h) money realised by exercise of options;	11,42,128
(i) total number of options in force;	66,03,936
(j) employee wise details of options granted to:	<p>(i) Aneesh Reddy Boddu- Overall Granted 9,52,309 options out of which, 3,86,625 options were exercised during the year.</p> <p>(i) Anant Choubey - 2,76,644</p> <p>(iii) G Bhargavi Reddy - Overall Granted 2,266, out of which 758 options were surrendered against the cash settlement and 50 options were exercised during the year.</p> <p>(i) Nil</p> <p>(iii) Nil</p>
(i) Key Managerial Personnel;	
(ii) any other employee who receives a grant of options in any one year of options amounting to five percent or more of total options granted during that year;	
(iii) Identified employees who were granted options, during any one year, equal to or exceeding one percent of the issued capital, excluding outstanding warrants and conversions, of the Company at the time of grant.	

Additional disclosure: During the year under review your company bought back 3,88,628 vested options from active and inactive employees of the Company.

3.4 Shares held in trust for the benefit of employees where the voting rights are not exercised directly by the employees-

During the financial year under review, the Company has not held any shares in trust for the benefit of employees where the voting rights are not exercised directly by the employees.

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

During the Financial year under review, the Company has allotted 2500 Non-Convertible Debentures of face value of INR. 1,00,000/- each amounting to INR. 25,00,00,000/- (Twenty Five Crore Only) dated April 03 & April 20, 2023 to InnoVen Capital India Fund acting through its trustee, Vistra ITCL (India) Limited. The total issued and allotted Non-Convertible Debentures as on date is 6,000 of INR. 1,00,000/- each amounting to INR. 60,00,00,000/- (Sixty Crore Only).

Further during the financial year, the Company has issued and allotted 55,24,350 fully compulsorily convertible debentures ('CCDs') on preferential offer through private placement basis dated October 30, 2023 to Avataar II Co-Investment II Ltd.

4. Credit Rating of securities

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

5. Investor education and protection fund (IEPF)

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

6. Management

6.1. Directors and Key Managerial Personnel

As on the date of this report, the Company has Six (6) directors consisting of four (4) Independent directors and two (2) Executive directors. The composition of the Board is in conformity with Section 149 and 152 of the Act.

None of the Directors on the Board:

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

Necessary disclosures regarding Committee positions in other public companies as on March 31, 2024 have been made by the Directors.

The Key Managerial Personnel's of the Company as on March 31, 2024 are:

Sr. no	Name	Designation
01	Mr. Aneesh Reddy Boddu	Managing Director and CEO*
02	Mr. Anant Choubey	Executive Director, Chief Finance Officer and Chief Operating Officer
03	Mrs. G Bhargavi Reddy	Company Secretary and Compliance Officer

*Refer to point b-bullet two below.

a. Disqualification of Directors

None of the directors of the Company are disqualified pursuant to the provisions of Section 164 of Companies Act, 2013 or debarred or disqualified from being appointed or continuing as directors of companies by the Securities and Exchange Board of India or Ministry of Corporate Affairs or any such statutory authority.

b. Appointment / Resignation from the Board of Directors

- Mr. Sameer Garde resigned as Executive Director & CEO of the Company effective from March 31, 2024.
- Mr. Aneesh Reddy Boddu was appointed as Chief Executive officer & KMP of the Company and was relieved from the duties of vice chairman with effect from May 14, 2024.
- Based on the recommendation of the Nomination and Remuneration Committee, the Board at its meeting held on August 27, 2024, re-appointed Mr. Aneesh Reddy Boddu as the MD & CEO and Mr. Anant Choubey as the Executive Director & COO for a further period of three years effective from November 24, 2024 to November 23, 2027, subject to approval of the shareholders. The necessary resolutions for re-appointment of Mr. Aneesh & Mr. Anant forms part of the notice. The profile and particulars of experience, attributes and skills that qualify Mr. Aneesh & Mr. Anant for Board membership, are disclosed in the said Notice. The Board recommends their re-appointment.
- Based on the recommendation of the Nomination and Remuneration Committee, the Board at its meeting held on August 27, 2024, re-appointed Mr. Farid Lalji Kazani, Mrs. Neelam Dhawan, Mr. Venkat R Tadanki & Mrs. Yamini Preethi Natti as Independent Director for a further period of five years effective from December 10, 2024 up to December 09, 2029, subject to approval of the shareholders. The necessary resolutions for re-appointment forms part of the notice. The profile and particulars of experience, attributes and skills that qualify Mr. Farid Lalji Kazani, Mrs. Neelam Dhawan, Mr. Venkat R Tadanki & Mrs. Yamini Preethi Natti for Board membership, are disclosed in the said Notice. The Board recommends their re-appointment.

c. Directors retiring by rotation

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

In view of the above, Mr. Aneesh Reddy Boddu (DIN- 02214511), who has been longest in office since his appointment, who is liable to retire by rotation and being eligible, offers himself for re-appointment, a resolution seeking shareholders' approval for his re-appointment forms part of the notice. The Board recommends his re-appointment.

d. Declaration by Independent Director

The Company has received necessary declaration from each of the Independent Directors, under Section 149(7) of the Companies Act, 2013, that he / she meets the criteria of

Independence laid down in Section 149(6) of the Companies Act, 2013 and Independent Directors have complied with the Code for Independent Directors prescribed in Schedule IV to the Act. Further, the Independent Directors have included their names in the data bank of Independent Directors maintained with the Indian Institute of Corporate Affairs in terms of Section 150 of the Act read with Rule 6 of the Companies (Appointment and Qualification of Directors) Rules, 2014.

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

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

- **During the year under review and as on date of this report:**

- Except for payment of professional fee to M/s. Amir Advisory Services LLP (where Mr. Farid Lalji Kazani- Independent Director is a partner) for availing advisory services, the Company did not have any pecuniary relationship or transactions with any of its Directors, other than payment of remuneration / Incentive to the Executive Directors and payment of sitting fees to Independent Directors and reimbursement of expenses incurred by them for the purpose of attending meetings of the Board / Committees of the Company.

- The Advisory Agreement dated March 14, 2023 entered with M/s. Amir Advisory Services LLP for providing advisory services on financial related matters had expired on March 01, 2024. The Audit Committee and Board of Directors approved the fresh advisory agreement with M/s. Amir Advisory Services LLP with same scope of work, for which they shall be paid INR. 1 lakh per day spent on the assignment but not exceeding total fee of INR. 9 lakh over a period of one year, which is lesser than 10% of total gross turnover/ income of the said LLP for the year 2022-23. Mr. Farid Lalji Kazani (Independent Director) and his daughter are partners of the said LLP.

- In the opinion of the Board, all the independent directors appointed during the year are persons of integrity, possesses relevant expertise and experience (including the proficiency).

- As required under Rule 6 of the Companies (Appointment and Qualification of Directors) Rules, 2014, as on date of this report the details of Independent Directors, pertaining to the online proficiency Self-Assessment test conducted by IICA are as below:

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

e. Woman Director

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

f. Changes in KMP

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

- Mr. Sameer Garde resigned as Executive Director & CEO of the Company effective from March 31, 2024.
- Mr. Aneesh Reddy Boddu was appointed as Chief Executive officer & KMP of the Company and was relieved from the duties of vice chairman with effect from May 14, 2024.

6.2 Board Meetings

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

Sr. no	Date of Meetings	No of Meeting Directors eligible to attend	No of Meeting Directors attended	% of Attendance
01	May 30, 2023	7	7	100
02	July 18, 2023 Adjourned Meeting - August 10, 2023	7	7	100
03	September 06, 2023	7	6	85
04	September 26, 2023	7	5	71
05	October 06, 2023	7	5	71
06	November 29, 2023	7	7	100
07	December 29, 2023	7	6	85
08	January 29, 2024	7	7	100
09	March 01, 2024	7	5	71

6.3 Committees

As on March 31, 2024, the Board had the following seven (7) committees:

1. Audit Committee
2. Nomination & Remuneration Committee
3. Risk Management Committee
4. Stakeholders Relationship Committee
5. Corporate Social Responsibility Committee
6. Strategic and Business Development Committee and
7. Initial Public Offering ('IPO') Committee

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

6.4 Recommendations of Audit Committee

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

Composition of Audit Committee:

Sr. No	Names of Committee Members	Designation
01.	Mr. Farid Lalji Kazani	Chairman of the Committee - Independent Director
02.	Mr. Anant Choubey	Member of the Committee-Executive Director
03.	Mrs. Neelam Dhawan	Member of the Committee- Independent Director
04.	Mr. Venkat Ramana Tadanki	Member of the Committee-Independent Director

Further, there have been no instances during the year where recommendations of the other Committees were not accepted by the Board.

6.5 Company's Policy on Directors' appointment and remuneration

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

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

6.6 Board Evaluation

The provisions of section 134 (p) of the Companies Act, 2013, with respect statement indicating the manner in which formal annual evaluation of the Board, its Committees and Individual Directors are not applicable to the Company, as the paid up share capital of the Company is less than INR.25 crore as on March 31, 2024.

However, the Company on voluntary basis has availed services from a third party platform provider for Directors to undertake the evaluation of the Board, its Committees and Individual Directors. In a separate meeting of Independent Directors held on March 06, 2024, the performance of Non Independent Directors, the Chairperson of the Board and the Board as a whole was evaluated by the Independent Directors.

6.7 Remuneration of Directors and Employees

- Rule 5 (1) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is not applicable to your Company as on March 31, 2024.
- Statement containing details of employees as required in terms of Section 197 of the Act read with Rule 5(2) and Rule 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is available for inspection at the Registered Office of the Company during working hours. A copy of the statement may be obtained by shareholders by writing to the Company Secretary at the Registered & Corporate Office of the Company or at secretarial@capillarytech.com.

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

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

6.9 Directors' Responsibility Statement

Your Directors hereby confirm that:

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

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

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

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

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

6.10 Internal Financial Controls and its adequacy

Your Company has an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2024, based on the criteria for internal financial control over financial reporting established by the Company. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

6.11 Frauds reported by the Auditor

During the financial year under review, pursuant to provisions of the Section 143(12) of the Companies Act, 2013, the Auditor has not reported any incident of fraud to the Audit, Risk management Committee. Your Company has adopted Fraud Prevention Policy. The Policy is available on the Investor Relations section of the website of your Company at <https://www.capillarytech.com/policies/>

6.12 Adoption and review of policies

The details of the policies approved and adopted by the Board & Committees as required under the Companies Act, 2013 are provided in Annexure I to the Board's report.

6.13 Report on Corporate Governance

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

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

As on March 31, 2024, our holding Company is Capillary Technologies International Pte Ltd ('CTIPL') which holds 510,72,343 equity shares together with its nominee, representing 69.74% of the issued, subscribed and paid-up equity share capital of our Company

As on March 31, 2024, our Company had 9 (Nine) subsidiaries including 1 (one) direct and 8 (Eight) indirect outside India. The Company has closed its operations in Persuade Holding Inc (Formerly Known as Persuade Holding LLC) (Indirect Subsidiary). The Company is in the process of closing its operations in China operated through Capillary Technologies (Shanghai) Co., Ltd (Indirect Subsidiary). There are no operations in both the companies.

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

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

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

8. Details of deposits

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

9. Particulars of loans, guarantees and investments

Pursuant to Section 186 of the Companies Act, 2013 disclosure on particulars relating to Loans, Advances, Guarantees and Investments (wherever applicable) are provided as part of the financial statements under note 05 & 08.

10. Particulars of contracts or arrangements with related parties

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

There were no materially significant Related Party Transactions made by the Company during the year that required shareholders' approval under Companies Act 2013. All Related Party Transactions are placed before the Audit Committee for approval. Further, prior omnibus approval of the Audit Committee is obtained for the transactions which are repetitive in nature or when the need for these transactions cannot be foreseen in advance.

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

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

11. Corporate Social Responsibility (CSR)

As per the provisions of the Companies Act, 2013, a Company meeting the specified criteria shall spend at least 2% of its average net profits for three immediately preceding financial years towards CSR activities. Accordingly, the provisions of CSR is not applicable to your Company for financial year 2023-24.

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

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

(a) Conservation of energy

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

<p>(i) the efforts made towards technology absorption;</p>	<p>The internally developed software and tools have helped us improve the user efficiency, and user experience and also provide various improved features and functionalities in the enterprise loyalty and engagement activities for businesses and their users.</p> <p>These include:</p> <ul style="list-style-type: none"> ▪ New advancements for Loyalty+ platform through addition of milestone loyalty advanced features, streaks and badges. ▪ Further advancements in the Loyalty Promotions configuration module to set up complex promotions using completely conversational manner leveraging AI capabilities (wip) ▪ Journeys canvas to create A/B testing scenarios ▪ Built multiple new data flows on connect+ ▪ Creation of platform extension module extending the capabilities of changing the APIs ▪ Addition of user onboarding module
<p>(ii) the benefits derived like product improvement, cost reduction, product development or import substitution;</p>	<ul style="list-style-type: none"> ▪ Continuous improvement of the product user experience. This is measured through increased product satisfaction score which is a strong indicator of customer retention. ▪ Improved campaign and loyalty program ROI for the business users. ▪ Reduced cost of technology import by developing these tools/software internally on a timely manner

<p>(iii) in case of imported technology (imported during the last three years reckoned from the beginning of the year under reference) –</p> <p>a) details of the technology imported;</p> <p>b) the year of import;</p> <p>c) whether the technology has been fully absorbed and if not, areas where absorption has not taken place, and the reasons thereof;</p>	<p>Your Company has not imported any technology during the last three years.</p>
<p>(iv) the expenditure incurred on Research and Development.</p>	<p>INR 384.18 (in Millions) incurred towards development of the software platform including Rewards +.</p>

(c) Foreign exchange earnings and Outgo –

(Inr Millions)

Particulars	FY 2022-23	FY 2023-24
Inflow	632.5	656.36
Outflow	159.93	203.36

13. Risk Management

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

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

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

Cybersecurity

As our employees operate efficiently as a hybrid workforce, we continued to remain vigilant on the evolving cybersecurity threat landscape. In our endeavour to maintain a robust cybersecurity posture, the team has remained abreast of emerging cybersecurity events globally, to achieve higher compliance and its continued sustenance. We are certified against the Information Security Management System (ISMS) Standard ISO 27001:2022 & PCI DSS 4.0. Additionally, we have also been attested on SOC 2 by an independent audit firm & will be undertaking SOC 1 too from this financial year.

During the year, our focus on cybersecurity personnel training, reskilling, and building a security culture of collective onus, encouraging shift-left, enabling the developer community with dedicated courses and resource kits went ahead as planned, together with our overall initiatives on improving cybersecurity processes, technologies, and posture.

14. Vigil mechanism

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

15. Material orders of judicial bodies /regulators

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

16. Auditors

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

The Report given by the Statutory Auditors on the standalone financial statements of the Company and the consolidated financial statements of the Company for the financial year ended March 31, 2024 forms part of this Annual Report.

17. Secretarial Audit

M/s. BMP & Co, LLP, firm of practicing Company Secretaries (“Secretarial Auditors”), carried out the secretarial audit for FY 2024 in compliance with the Act and the Rules made thereunder, and other applicable regulations as amended and other laws specifically applicable to your Company. The Secretarial Audit Report in form MR-3 for FY 2024 is attached to this Report as Annexure – III. The said Report does not contain any qualification, reservation or adverse remark or disclaimer by the Secretarial Auditors.

18. Cost and Internal Audit

Cost Auditor & records

a. The provisions of appointment of Cost Auditor pursuant to section 146 read with Companies (Cost Records and Audit) Rules, 2014 are not applicable to your Company during the financial year 2023-24.

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

Internal Audit

b. Protiviti India Member Private Limited (independent internal auditor) were appointed to carry out internal audit to ensure the adequacy of the internal control system and adherence to policies and practices. The Audit Committee regularly reviews the reports submitted by the independent internal auditor and the adequacy and effectiveness of internal controls.

19. Explanations in response to auditors' qualifications

The Reports given by the Statutory Auditors on the standalone financial statements and the consolidated financial statements of the Company for FY 2024 form part of the Annual Report. The Reports do not contain any qualification, reservation or adverse remark or disclaimer by the Statutory Auditors.

20. Compliance with secretarial standards

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

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

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

22. Failure to implement any corporate action

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

23. Annual Return

Pursuant to the provisions of Section 134 (3) (a) of the Companies Act, 2013 read with the rules made thereunder, the Annual Return (Form MGT-7) of the Company has been disclosed on the website of the Company and Web Link thereto is:

<https://www.capillarytech.com/investors/regulation-46-of-sebi-lodr/>

24. Other disclosures

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

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

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

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

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

26. Green Initiatives

In commitment to keep in line with the Green Initiatives and going beyond it, electronic copy of the Notice of 12th Annual General Meeting of the Company including the Annual Report for FY 2023-24 are being sent to all Members of the Company / Depository Participant(s).

In terms of Environmental responsibility, the Company actively works to minimize its ecological footprint by reducing carbon emissions, conserving energy and water, and adopting environmentally friendly practices.

- Capillary Technologies has a strong focus on sustainability. The company emphasizes environmentally-friendly practices such as reducing energy footprint, encouraging staff to engage in eco-friendly behaviors like using reusable utensils and avoiding plastic, planning social initiatives like tree plantation drives and e-waste reduction, and having Environment and Sustainability management plans in place.
- We, as such, have a minimalistic carbon footprint/emission. Our workspace size is maintained at a requirements level and we strive to ensure optimum usage of power across our office spaces.
- Our solutions are hosted on AWS and we inherit the sustainability measures and efforts undertaken by AWS
- We work with Recycle, a waste management marketplace to ensure responsible e-waste management practices and plan to be a 100% processed e-waste company by 2025.

- This year, we tied up with another NGO on afforestation. Instead of trophies, we planted trees for speakers through the NGO, SankalpTaru: <https://sankalptaru.org/>
- Our employee and customer gifting solution is also sourced through local NGOs. Recently we sourced handmade diaries from and jute bags from a women's group in uttarakhand <https://www.purkalstreeshakti.org/>
- We undertake many such initiatives with regional NGOs in every country.

27. Acknowledgements and Appreciation

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

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

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

Sd/ _

Sd/ -

Aneesh Reddy Boddu
Managing Director and CEO
(DIN: 02214511)
Date: 14/06/2024
Place: Bangalore

Anant Choubey
Whole Time Director, CFO & COO
(DIN: 06536413)
14 /06/2024
Place: Bangalore

Annexure - I

Key policies that have been adopted are as follows:

Name of the policy	Brief description	Web link
Code of conduct of Board of Directors and Senior Management Personnel	The Company has adopted the Code of conduct of Board of Directors and Senior Management Personnel in accordance with the provisions of applicable laws. The policy was adopted effective from November 20, 2021.	https://www.capillarytech.com/policies/
Policy on Materiality of and dealing with Related Party Transactions	The Company has adopted the Policy on Materiality of and dealing with Related Party Transactions in accordance with the provisions of applicable laws. The policy was adopted effective from November 20, 2021. <i>The Board of Directors vide it's resolution dated March 21, 2023 approved to place this policy on hold on its applicability (this policy is not applicable to the extent of SEBI LODR regulations requirement) to the Company till the time Board seeks fresh approval for IPO from members of the Company.</i>	https://www.capillarytech.com/policies/
Policy for determining material Subsidiaries	The Company has adopted the Policy for determining material Subsidiaries in accordance with the provisions of applicable laws. The policy was adopted effective from November 20, 2021. <i>The Board of Directors vide it's resolution dated March 21, 2023 approved to place this policy on hold on its applicability to the Company till the time Board seeks fresh approval for IPO from members of the Company.</i>	https://www.capillarytech.com/policies/
¹ Dividend Distribution Policy	The Company has adopted the Dividend Distribution Policy to determine the distribution of dividends in accordance with the provisions of applicable laws. The policy was adopted effective from November 26 , 2021.	https://www.capillarytech.com/policies/
Fraud Prevention Policy	The Company has adopted the Fraud Prevention Policy in accordance with the provisions of applicable laws. The policy was adopted effective from March 30, 2022.	https://www.capillarytech.com/policies/
Vigil Mechanism Policy	The Company has adopted the Vigil Mechanism Policy to report concerns about unethical behaviour, actual or suspected fraud, or violation of the Company's code of conduct etc in accordance with the provisions of applicable laws. The policy was adopted effective from November 20, 2021.	https://www.capillarytech.com/policies/
Corporate Social Responsibility Policy	The Company has adopted the Corporate Social Responsibility Policy in accordance with the provisions of applicable laws. The policy was adopted effective from November 20, 2021.	https://www.capillarytech.com/policies/
Insider Trading Prohibition Code	The Company has adopted the code of conduct to regulate, monitor and report trading in securities of the company & Fair disclosure code in accordance with the provisions of applicable laws. The policy was adopted effective from November 20, 2021. <i>The Board of Directors vide it's resolution dated March 21, 2023 approved to place this policy on hold on its applicability to the Company till the time Board seeks fresh approval for IPO from members of the Company.</i>	https://www.capillarytech.com/policies/

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

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

Sd/ -

Sd/ -

Aneesh Reddy Boddu
Managing Director and CEO
(DIN: 02214511)
Date: 14/06/2024
Place: Bangalore

Anant Choubey
Whole Time Director, CFO & COO
(DIN: 06536413)
Date: 14/06/2024
Place: Bangalore

Annexure - II

Form AOC-1

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

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

Sr. No	Name of the subsidiary	The date since when subsidiary was acquired	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	Share Capital (in millions)	Reserves and surplus (in millions)	Total assets (in millions)	Total Liabilities (in millions)	Investments (in million)	Profit before taxation (in millions)	Provision of taxation (in millions)	Profit after taxation (in millions)	Proposed Dividend (in millions)	Extent of shareholding (in percentage)
01.	Capillary Pte. Ltd. ("CPL")	Aug 30, 2021	NA	SGD 61.77	2,782.00	143.03	3,917.45	3,917.45	3,007.27	26.22	NIL	26.22	Nil	100
02.	Capillary Technologies LLC (Formerly known as Persuade Loyalty LLC)	Sep 1, 2021	NA	USD 83.34	964.18	1,140.85	3,071.06	3,071.06	981.48	248.71	17.05	231.66	Nil	100
03.	Capillary Technologies DMCC ("Capillary Dubai")	Nov 22, 2021	NA	AED 22.69	42.63	(143.86)	137.33	137.33	NIL	10.60	NIL	10.60	Nil	100%
04.	Capillary Technologies (Malaysia) SDN BHD	Nov 22, 2021	NA	MYR 17.64	8.68	(82.49)	9.95	9.95	NIL	0.57	NIL	0.57	Nil	100%
05.	PT Capillary Technologies Indonesia ("Capillary")	Nov 22, 2021	NA	IDR 0.005251	1.59	(48.71)	28.00	28.00	NIL	2.17	1.94	0.23	NIL	100%
06.	Capillary Technologies Europe Limited (Formerly Known as Brierley Europe Limited)	May 01, 2023	NA	GBP 105.22	40.42	108.91	330.37	330.37	NIL	(22.91)	NIL	(22.91)	NIL	100%
07.	Capillary Brierley Inc. (Formerly Known as Brierley & Partners Inc.)	April 01, 2023	NA	USD 83.34	Nil	(169.32)	736.464	736.464	NIL	(85.17623)	NIL	(85.17623)	NIL	100%
08.	Capillary Technologies Inc, USA	April 01, 2023	NA	USD 83.34	0.82	12.29	56.39	56.39	NIL	22.04	NIL	22.04	NIL	100

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

Sd/-

Sd/-

Aneesh Reddy Boddu
Managing Director and CEO
(DIN: 02214511)

Date: 14/06/2024

Place: Bangalore

Anant Choubey
Whole Time Director, CFO & COO
(DIN: 06536413)

14/06/2024

Place: Bangalore

Annexure - III

FORM No. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31st MARCH 2024

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

To,
The Members,
Capillary Technologies India Limited

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

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2024, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place; to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed, and other records maintained by the Company for the financial year ended on 31st March 2024 according to the provisions of:

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

1992 ('SEBI Act'): - Not applicable as Company is a Public (Unlisted) Company.

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

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India (ICSI)
- (ii) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements)

Regulations, 2015; - Not Applicable as Company is a Public (Unlisted) Company.

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

We further report that: -

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

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

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

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

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

There are no other specific events/actions in pursuance of the above referred laws, rules, regulations guidelines etc., having a major bearing on the Company's Affairs.

We further report that during the audit period,

1. The company allotted 2,500(Two Thousand Five Hundred) Unlisted Unrated secured fully paid-up redeemable non-convertible debentures by way of private placement.
2. The company allotted 31,94,819 (Thirty-One Lakhs Ninety-Four Thousand Eight Hundred and Nineteen) equity shares on preferential offer through private placement basis.
3. The Company allotted 5,71,064 (Five Lakh Seventy-One Thousand and Sixty-Four) Equity Shares under ESOP Scheme.
4. The Company allotted 1,10,52,223 (One Crore Ten Lakhs Fifty-Two Thousand Two Hundred And Twenty-Three) Equity Shares through Right Issue.
5. The company converted 55,24,350 (Fifty-Five Lakhs Twenty-Four Thousand Three Hundred And Fifty) Compulsory convertible Debentures and allotted 55,24,350 (Fifty-Five Lakhs Twenty Four Thousand Three Hundred And Fifty) Equity shares.

Place: Bangalore
Date: June 14, 2024
UDIN: F008750F000572665

For BMP & Co. LLP
LLPIN: AAI -4194
Company Secretaries
Sd/-
Biswajit Ghosh
Designated Partner
FCS No: 8750
CP. No.: 8239
PR No: L2017KR003200

Enclosure: Annexure A is accompanied with this certificate.

Annexure A

To,
The Members,
Capillary Technologies India Limited

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

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

Place: Bangalore
Date: June 14, 2024
UDIN: F008750F000572665

For BMP & Co. LLP
LLPIN: AAI - 4194
Company Secretaries
Sd/-
Biswajit Ghosh
Designated Partner
FCS No: 8750 CP. No.: 8239
PR No: L2017KR003200

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Independent Auditor's Report

To the Members of Capillary Technologies India Limited

Report on the Audit of the Standalone Financial Statements

Opinion

1. We have audited the accompanying standalone financial statements of Capillary Technologies India Limited ('the Company'), which comprise the Standalone Balance Sheet as at March 31, 2024, the Standalone Statement of Profit and Loss (including Other Comprehensive Loss), the Standalone Statement of Cash Flows, the Standalone Statement of Changes in Equity for the year then ended, and notes to the standalone financial statements, including material accounting policy information and other explanatory information.
2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ('the Act') in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards ('Ind AS') specified under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015 and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2024, its loss (including other comprehensive loss), its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Standalone Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

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

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

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

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9. As part of an audit in accordance with Standards on Auditing, specified under Section 143(10) of the Act we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to standalone financial statements in place and the operating effectiveness of such controls;
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
 - Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern; and
 - Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
10. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

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

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- b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books, except for the matters stated in paragraph 13(h)(vi) below on reporting under Rule 11(g) of the Companies (Audit and Auditors) Rules, 2014 (as amended). Further, the back-up of the books of accounts and other books and papers of the Company maintained in electronic mode has not been maintained on servers physically located in India, on a daily basis;
- c) The standalone financial statements dealt with by this report are in agreement with the books of account;
- d) In our opinion, the aforesaid standalone financial statements comply with Ind AS specified under Section 133 of the Act;
- e) On the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2024 from being appointed as a director in terms of Section 164(2) of the Act;
- f) The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in paragraph 13(b) above on reporting under section 143(3)(b) of the Act and paragraph 13(h)(vi) below on reporting under Rule 11(g) of the Companies (Audit and Auditors) Rules, 2014 (as amended);
- g) With respect to the adequacy of the internal financial controls with reference to standalone financial statements of the Company as on March 31, 2024 and the operating effectiveness of such controls, refer to our separate report in Annexure II wherein we have expressed an unmodified opinion; and
- h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company does not have any pending litigations which would impact its financial position as at March 31, 2024;
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses as at March 31, 2024;
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended March 31, 2024;
 - iv.
 - a. The management has represented that, to the best of its knowledge and belief, other than as disclosed in Note 40 to the standalone financial statements, no funds have been advanced or loaned or invested (either from borrowed funds or securities premium or any other sources or kind of funds) by the Company to or in any person(s) or entity(ies), including foreign entities ('the intermediaries'), with the understanding, whether recorded in writing or otherwise, that the intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company ('the Ultimate Beneficiaries') or provide any guarantee, security or the like on behalf the Ultimate Beneficiaries;
 - b. The management has represented that, to the best of its knowledge and belief, other than as disclosed in Note 40 to the standalone financial statements, no funds have been received by the Company from any person(s) or entity(ies), including foreign entities ('the Funding Parties'), with the understanding, whether recorded in writing or otherwise, that the Company shall, whether directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding

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Party ('Ultimate Beneficiaries') or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and

- c. Based on such audit procedures performed as considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the management representations under sub-clauses (a) and (b) above contain any material misstatement.

- v. The Company has not declared or paid any dividend during the year ended March 31, 2024.

- vi. As stated in Note 39 to the standalone financial statements and based on our examination which included test checks, except for the instance mentioned below, the Company, in respect of financial year commencing on 01 April, 2023, has used accounting software for maintaining its book of account which have feature of recording audit trail (edit log) facility and the same have been operated throughout the year for all relevant transactions recorded in the software. Further, during the course of our audit we did not come across any instance of audit trail feature being tampered with, other than the consequential impact of the exception given below:

The Company has used accounting software operated by third-party service providers for the maintenance of accounting and payroll records. In the absence of any information on the existence of audit trail (edit logs) for any direct changes made at the database level in the 'Independent Service Auditor's Assurance Reports on the Description of Controls, their Design and Operating Effectiveness' ['Type 2 report'] issued in accordance with ISAE 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information) and ISAE 3402, Assurance Reports on Controls at a Service Organization], we are unable to comment on whether the audit trail feature with respect to the database of the these software were enabled and operated throughout the year.

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

Aasheesh Arjun Singh
Partner
Membership No.: 210122
UDIN: 24210122BKEWLK7959

Bengaluru
June 14, 2024

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Annexure I referred to in paragraph 12 of the Independent Auditor's Report of even date to the members of Capillary Technologies India Limited on the standalone financial statements for the year ended March 31, 2024

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

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

(B) The Company has maintained proper records showing full particulars of intangible assets.
- (b) The Company has a regular programme of physical verification of its property, plant and equipment and right-of-use assets under which the assets are physically verified in a phased manner over a period of two years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this programme, certain property, plant and equipment were verified during the year and no material discrepancies were noticed on such verification.
- (c) The Company does not own any immovable property (other than properties where the Company is the lessee and the lease agreements are duly executed in favour of the lessee). Accordingly, reporting under clause 3(i)(c) of the Order is not applicable to the Company
- (d) The Company has adopted the cost model for its Property, Plant and Equipment (including right-of-use assets) and intangible assets. Accordingly, reporting under clause 3(i)(d) of the Order is not applicable to the Company.
- (e) No proceedings have been initiated or are pending against the Company for holding any benami property under the Prohibition of Benami Property Transactions Act, 1988 (as amended) and rules made thereunder.
- (ii) (a) The Company does not hold any inventory. Accordingly, reporting under clause 3(ii)(a) of the Order is not applicable to the Company.

(b) As disclosed in Note 15 to the standalone financial statements, the Company has been sanctioned a working capital limit in excess of ₹ 5 crores by banks or financial institutions, based on the security of current assets. The quarterly statements, in respect of the working capital limits have been filed by the Company with such banks and such statements are in agreement with the books of account of the Company for the respective periods, which were not subject to audit.
- (iii) The Company has not provided any guarantee or security or granted advances in the nature of loans to companies, firms, limited liability partnerships during the year. Further, the Company has made investments in and granted unsecured loans to companies during the year, in respect of which:

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Annexure I referred to in Paragraph 12 of the Independent Auditor's Report of even date to the members of Capillary Technologies India Limited on the standalone financial statements for the year ended March 31, 2024

- (a) The Company has made investment in subsidiaries and provided loans to others during the year as per details given below:

Particulars	Investments	Loans
Aggregate amount provided/granted during the year (₹ millions):		
– Subsidiaries	1,538.43	-
– Others	-	399.99
Balance outstanding as at balance sheet date in respect of above cases (₹ millions):		
– Subsidiaries	2,863.93	-
– Others	-	399.99

- (b) The Company has not provided any guarantee or given any security during the year. Further, in our opinion, and according to the information and explanations given to us, the investments made and terms and conditions of the grant of loans are, prima facie, not prejudicial to the interest of the Company.
- (c) In respect of loans granted by the Company, the schedule of repayment of principal and payment of interest has been stipulated and principal amount is not due for repayment currently, however, the receipts of the interest are regular.
- (d) There is no overdue amount in respect of loans or advances in the nature of loans granted to such companies, firms, LLPs or other parties.
- (e) The Company has not granted any loans which has fallen due during the year. Further, no fresh loans were granted to any party to settle the overdue loans/advances in nature of loan that existed as at the beginning of the year.
- (f) The Company has not granted any loans, which are repayable on demand or without specifying any terms or period of repayment.
- (iv) In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of Section 186 of the Act in respect of loans and investments made, as applicable. Further, the Company has not entered into any transaction covered under Section 185 of the Act.
- (v) In our opinion, and according to the information and explanations given to us, the Company has not accepted any deposits or there are no amounts which have been deemed to be deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, reporting under clause 3(v) of the Order is not applicable to the Company.
- (vi) The Central Government has not specified maintenance of cost records under sub-section (1) of Section 148 of the Act, in respect of Company's services/ business activities. Accordingly, reporting under clause 3(vi) of the Order is not applicable.

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Annexure I referred to in Paragraph 12 of the Independent Auditor's Report of even date to the members of Capillary Technologies India Limited on the standalone financial statements for the year ended March 31, 2024

(vii)(a) In our opinion, and according to the information and explanations given to us, undisputed statutory dues including goods and services tax, provident fund, employees' state insurance, income-tax, cess and other material statutory dues, as applicable, have generally been regularly deposited with the appropriate authorities by the Company, though there have been slight delays in a few cases. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, there are no statutory dues referred to in subclause (a) above that have not been deposited with the appropriate authorities on account of any dispute except the following:

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

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

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

Nature of borrowing	Name of the lender	Amount not paid on due date (₹ In millions)	Whether principal or interest	No. of days delay	Remarks, if any
Indian Rupee term loan from Body Corporate	Innoven Capital India Private Limited	6.45	Interest	11	Amount paid on July 12, 2023
Non Convertible Debentures	Innoven Triple Blue Capital Advisors LLP	7.15	Interest	4	Amount paid on July 5, 2023
Non Convertible Debentures	Innoven Triple Blue Capital Advisors LLP	7.39	Interest	1	Amount paid on August 2, 2023
Non Convertible Debentures	Innoven Triple Blue Capital Advisors LLP	6.79	Interest	3	Amount paid on October 4, 2023
Non Convertible Debentures	Innoven Triple Blue Capital Advisors LLP	30.00	Principal	5	Amount paid on October 6, 2023

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Annexure I referred to in Paragraph 12 of the Independent Auditor's Report of even date to the members of Capillary Technologies India Limited on the standalone financial statements for the year ended March 31, 2024

- (b) According to the information and explanations given to us including confirmations received from banks and financial institutions and representation received from the management of the Company, and on the basis of our audit procedures, we report that the Company has not been declared a willful defaulter by any bank or financial institution or government or any government authority.
- (c) In our opinion and according to the information and explanations given to us, money raised by way of term loans were applied for the purposes for which these were obtained.
- (d) In our opinion and according to the information and explanations given to us, and on an overall examination of the standalone financial statements of the Company, funds raised by the Company on short term basis have, prima facie, not been utilised for long term purposes.
- (e) According to the information and explanations given to us and on an overall examination of the standalone financial statements of the Company, the Company has not taken any funds from any entity or person on account of or to meet the obligations of its subsidiaries.
- (f) According to the information and explanations given to us, the Company has not raised any loans during the year on the pledge of securities held in its subsidiaries.
- (x) (a) The Company has not raised any money by way of initial public offer or further public offer (including debt instruments), during the year. Accordingly, reporting under clause 3(x)(a) of the Order is not applicable to the Company.
- (b) During the year, the Company has made private placement of shares. In our opinion and according to the information and explanations given to us, the Company has complied with the requirements of Section 42 and Section 62 of the Act and the rules framed thereunder with respect to the same. Further, the amounts so raised have been utilised by the Company for the purposes for which these funds were raised.
- (xi) (a) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company or no fraud on the Company has been noticed or reported during the period covered by our audit.
- (b) According to the information and explanations given to us including the representation made to us by the management of the Company, no report under sub-section 12 of Section 143 of the Act has been filed by the auditors in Form ADT-4 as prescribed under Rule 13 of Companies (Audit and Auditors) Rules, 2014, with the Central Government for the period covered by our audit.
- (c) According to the information and explanations given to us including the representation made to us by the management of the Company, there are no whistle-blower complaints received by the Company during the year.
- (xii) The Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it. Accordingly, reporting under clause 3(xii) of the Order is not applicable to the Company.
- (xiii) In our opinion and according to the information and explanations given to us, all transactions entered into by the Company with the related parties are in compliance with Sections 177 and 188 of the Act, where applicable. Further, the details of such related party transactions have been disclosed in the standalone financial statements, as required under Indian Accounting Standard (Ind AS) 24, Related Party Disclosures specified in Companies (Indian Accounting Standards) Rules 2015 as prescribed under Section 133 of the Act.

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Annexure I referred to in Paragraph 12 of the Independent Auditor's Report of even date to the members of Capillary Technologies India Limited on the standalone financial statements for the year ended March 31, 2024

- (xiv) (a) According to the information and explanations given to us, the Company is not required to have an internal audit system as per the provisions of Section 138 of the Act. However, the Company has an internal audit system which, in our opinion, is commensurate with the size and nature of its business.
- (b) We have considered the reports issued by the Internal Auditors of the Company till date for the period under audit.
- (xv) According to the information and explanation given to us, the Company has not entered into any non-cash transactions with its directors or persons connected with its directors and accordingly, reporting under clause 3(xv) of the Order with respect to compliance with the provisions of Section 192 of the Act are not applicable to the Company.
- (xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, reporting under clauses 3(xvi)(a), (b) and (c) of the Order are not applicable to the Company.
- (d) Based on the information and explanations given to us and as represented by the management of the Company, the Group (as defined in Core Investment Companies (Reserve Bank) Directions, 2016) does not have any CIC.
- (xvii) The Company has incurred cash losses in the current financial year and in the immediately preceding financial years amounting to ₹ 279.12 million and ₹ 130.61 million respectively.
- (xviii) There has been no resignation of the statutory auditors during the year. Accordingly, reporting under clause 3(xviii) of the Order is not applicable to the Company.
- (xix) According to the information and explanations given to us and on the basis of the financial ratios, ageing and expected dates of realisation of financial assets and payment of financial liabilities, other information in the standalone financial statements, our knowledge of the plans of the Board of Directors and management and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report indicating that Company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the company as and when they fall due.
- (xx) According to the information and explanations given to us, the Company does not meet the criteria as specified under sub-section (1) of Section 135 of the Act read with the Companies (Corporate Social Responsibility Policy) Rules, 2014 and accordingly, reporting under clause 3(xx) of the Order is not applicable to the Company.

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Annexure I referred to in Paragraph 12 of the Independent Auditor's Report of even date to the members of Capillary Technologies India Limited on the standalone financial statements for the year ended March 31, 2024

(xxi) The reporting under clause 3(xxi) of the Order is not applicable in respect of audit of standalone financial statements of the Company. Accordingly, no comment has been included in respect of said clause under this report.

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

Aasheesh Arjun Singh
Partner
Membership No.: 210122
UDIN: 24210122BKEWLK7959

Bengaluru
June 14, 2024

Walker Chandniok & Co LLP

Annexure II to the Independent Auditor's Report of even date to the members of Capillary Technologies India Limited on the standalone financial statements for the year ended March 31, 2024.

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

1. In conjunction with our audit of the standalone financial statements of Capillary Technologies India Limited ('the Company') as at and for the year ended March 31, 2024, we have audited the internal financial controls with reference to financial statements of the Company as at that date.

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

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

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

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

Walker Chandniok & Co LLP

Annexure II to the Independent Auditor's Report of even date to the members of Capillary Technologies India Limited on the standalone financial statements for the year ended March 31, 2024.

Meaning of Internal Financial Controls with Reference to Standalone Financial Statements

6. A company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to financial statements include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls with Reference to Standalone Financial Statements

7. Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such controls were operating effectively as at March 31, 2024, based on the internal control with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

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

Aasheesh Arjun Singh
Partner
Membership No.: 210122
UDIN: 24210122BKEWLK7959

Bengaluru
June 14, 2024

Walker Chandniok & Co LLP

Annexure I referred to in paragraph 12 of the Independent Auditor's Report of even date to the members of Capillary Technologies India Limited on the standalone financial statements for the year ended March 31, 2024

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

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

(B) The Company has maintained proper records showing full particulars of intangible assets.
- (b) The Company has a regular programme of physical verification of its property, plant and equipment and right-of-use assets under which the assets are physically verified in a phased manner over a period of two years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this programme, certain property, plant and equipment were verified during the year and no material discrepancies were noticed on such verification.
- (c) The Company does not own any immovable property (other than properties where the Company is the lessee and the lease agreements are duly executed in favour of the lessee). Accordingly, reporting under clause 3(i)(c) of the Order is not applicable to the Company
- (d) The Company has adopted the cost model for its Property, Plant and Equipment (including right-of-use assets) and intangible assets. Accordingly, reporting under clause 3(i)(d) of the Order is not applicable to the Company.
- (e) No proceedings have been initiated or are pending against the Company for holding any benami property under the Prohibition of Benami Property Transactions Act, 1988 (as amended) and rules made thereunder.
- (ii) (a) The Company does not hold any inventory. Accordingly, reporting under clause 3(ii)(a) of the Order is not applicable to the Company.

(b) As disclosed in Note 15 to the standalone financial statements, the Company has been sanctioned a working capital limit in excess of ₹ 5 crores by banks or financial institutions, based on the security of current assets. The quarterly statements, in respect of the working capital limits have been filed by the Company with such banks and such statements are in agreement with the books of account of the Company for the respective periods, which were not subject to audit.
- (iii) The Company has not provided any guarantee or security or granted advances in the nature of loans to companies, firms, limited liability partnerships during the year. Further, the Company has made investments in and granted unsecured loans to companies during the year, in respect of which:

Walker Chandniok & Co LLP

Annexure I referred to in Paragraph 12 of the Independent Auditor's Report of even date to the members of Capillary Technologies India Limited on the standalone financial statements for the year ended March 31, 2024

- (a) The Company has made investment in subsidiaries and provided loans to others during the year as per details given below:

Particulars	Investments	Loans
Aggregate amount provided/granted during the year (₹ millions):		
– Subsidiaries	1,538.43	-
– Others	-	399.99
Balance outstanding as at balance sheet date in respect of above cases (₹ millions):		
– Subsidiaries	2,863.93	-
– Others	-	399.99

- (b) The Company has not provided any guarantee or given any security during the year. Further, in our opinion, and according to the information and explanations given to us, the investments made and terms and conditions of the grant of loans are, prima facie, not prejudicial to the interest of the Company.
- (c) In respect of loans granted by the Company, the schedule of repayment of principal and payment of interest has been stipulated and principal amount is not due for repayment currently, however, the receipts of the interest are regular.
- (d) There is no overdue amount in respect of loans or advances in the nature of loans granted to such companies, firms, LLPs or other parties.
- (e) The Company has not granted any loans which has fallen due during the year. Further, no fresh loans were granted to any party to settle the overdue loans/advances in nature of loan that existed as at the beginning of the year.
- (f) The Company has not granted any loans, which are repayable on demand or without specifying any terms or period of repayment.
- (iv) In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of Section 186 of the Act in respect of loans and investments made, as applicable. Further, the Company has not entered into any transaction covered under Section 185 of the Act.
- (v) In our opinion, and according to the information and explanations given to us, the Company has not accepted any deposits or there are no amounts which have been deemed to be deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, reporting under clause 3(v) of the Order is not applicable to the Company.
- (vi) The Central Government has not specified maintenance of cost records under sub-section (1) of Section 148 of the Act, in respect of Company's services/ business activities. Accordingly, reporting under clause 3(vi) of the Order is not applicable.

Walker Chandniok & Co LLP

Annexure I referred to in Paragraph 12 of the Independent Auditor's Report of even date to the members of Capillary Technologies India Limited on the standalone financial statements for the year ended March 31, 2024

(vii)(a) In our opinion, and according to the information and explanations given to us, undisputed statutory dues including goods and services tax, provident fund, employees' state insurance, income-tax, cess and other material statutory dues, as applicable, have generally been regularly deposited with the appropriate authorities by the Company, though there have been slight delays in a few cases. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, there are no statutory dues referred to in subclause (a) above that have not been deposited with the appropriate authorities on account of any dispute except the following:

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

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

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

Nature of borrowing	Name of the lender	Amount not paid on due date (₹ In millions)	Whether principal or interest	No. of days delay	Remarks, if any
Indian Rupee term loan from Body Corporate	Innoven Capital India Private Limited	6.45	Interest	11	Amount paid on July 12, 2023
Non Convertible Debentures	Innoven Triple Blue Capital Advisors LLP	7.15	Interest	4	Amount paid on July 5, 2023
Non Convertible Debentures	Innoven Triple Blue Capital Advisors LLP	7.39	Interest	1	Amount paid on August 2, 2023
Non Convertible Debentures	Innoven Triple Blue Capital Advisors LLP	6.79	Interest	3	Amount paid on October 4, 2023
Non Convertible Debentures	Innoven Triple Blue Capital Advisors LLP	30.00	Principal	5	Amount paid on October 6, 2023

Walker Chandiook & Co LLP

Annexure I referred to in Paragraph 12 of the Independent Auditor's Report of even date to the members of Capillary Technologies India Limited on the standalone financial statements for the year ended March 31, 2024

- (b) According to the information and explanations given to us including confirmations received from banks and financial institutions and representation received from the management of the Company, and on the basis of our audit procedures, we report that the Company has not been declared a willful defaulter by any bank or financial institution or government or any government authority.
- (c) In our opinion and according to the information and explanations given to us, money raised by way of term loans were applied for the purposes for which these were obtained.
- (d) In our opinion and according to the information and explanations given to us, and on an overall examination of the standalone financial statements of the Company, funds raised by the Company on short term basis have, prima facie, not been utilised for long term purposes.
- (e) According to the information and explanations given to us and on an overall examination of the standalone financial statements of the Company, the Company has not taken any funds from any entity or person on account of or to meet the obligations of its subsidiaries.
- (f) According to the information and explanations given to us, the Company has not raised any loans during the year on the pledge of securities held in its subsidiaries.
- (x) (a) The Company has not raised any money by way of initial public offer or further public offer (including debt instruments), during the year. Accordingly, reporting under clause 3(x)(a) of the Order is not applicable to the Company.
- (b) During the year, the Company has made private placement of shares. In our opinion and according to the information and explanations given to us, the Company has complied with the requirements of Section 42 and Section 62 of the Act and the rules framed thereunder with respect to the same. Further, the amounts so raised have been utilised by the Company for the purposes for which these funds were raised.
- (xi) (a) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company or no fraud on the Company has been noticed or reported during the period covered by our audit.
- (b) According to the information and explanations given to us including the representation made to us by the management of the Company, no report under sub-section 12 of Section 143 of the Act has been filed by the auditors in Form ADT-4 as prescribed under Rule 13 of Companies (Audit and Auditors) Rules, 2014, with the Central Government for the period covered by our audit.
- (c) According to the information and explanations given to us including the representation made to us by the management of the Company, there are no whistle-blower complaints received by the Company during the year.
- (xii) The Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it. Accordingly, reporting under clause 3(xii) of the Order is not applicable to the Company.
- (xiii) In our opinion and according to the information and explanations given to us, all transactions entered into by the Company with the related parties are in compliance with Sections 177 and 188 of the Act, where applicable. Further, the details of such related party transactions have been disclosed in the standalone financial statements, as required under Indian Accounting Standard (Ind AS) 24, Related Party Disclosures specified in Companies (Indian Accounting Standards) Rules 2015 as prescribed under Section 133 of the Act.

Walker Chandniok & Co LLP

Annexure I referred to in Paragraph 12 of the Independent Auditor's Report of even date to the members of Capillary Technologies India Limited on the standalone financial statements for the year ended March 31, 2024

- (xiv) (a) According to the information and explanations given to us, the Company is not required to have an internal audit system as per the provisions of Section 138 of the Act. However, the Company has an internal audit system which, in our opinion, is commensurate with the size and nature of its business.
- (b) We have considered the reports issued by the Internal Auditors of the Company till date for the period under audit.
- (xv) According to the information and explanation given to us, the Company has not entered into any non-cash transactions with its directors or persons connected with its directors and accordingly, reporting under clause 3(xv) of the Order with respect to compliance with the provisions of Section 192 of the Act are not applicable to the Company.
- (xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, reporting under clauses 3(xvi)(a), (b) and (c) of the Order are not applicable to the Company.
- (d) Based on the information and explanations given to us and as represented by the management of the Company, the Group (as defined in Core Investment Companies (Reserve Bank) Directions, 2016) does not have any CIC.
- (xvii) The Company has incurred cash losses in the current financial year and in the immediately preceding financial years amounting to ₹ 279.12 million and ₹ 130.61 million respectively.
- (xviii) There has been no resignation of the statutory auditors during the year. Accordingly, reporting under clause 3(xviii) of the Order is not applicable to the Company.
- (xix) According to the information and explanations given to us and on the basis of the financial ratios, ageing and expected dates of realisation of financial assets and payment of financial liabilities, other information in the standalone financial statements, our knowledge of the plans of the Board of Directors and management and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report indicating that Company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the company as and when they fall due.
- (xx) According to the information and explanations given to us, the Company does not meet the criteria as specified under sub-section (1) of Section 135 of the Act read with the Companies (Corporate Social Responsibility Policy) Rules, 2014 and accordingly, reporting under clause 3(xx) of the Order is not applicable to the Company.

Walker Chandiook & Co LLP

Annexure I referred to in Paragraph 12 of the Independent Auditor's Report of even date to the members of Capillary Technologies India Limited on the standalone financial statements for the year ended March 31, 2024

(xxi) The reporting under clause 3(xxi) of the Order is not applicable in respect of audit of standalone financial statements of the Company. Accordingly, no comment has been included in respect of said clause under this report.

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

Aasheesh Arjun Singh
Partner
Membership No.: 210122
UDIN: 24210122BKEWLK7959

Bengaluru
June 14, 2024

Walker Chandniok & Co LLP

Annexure II to the Independent Auditor's Report of even date to the members of Capillary Technologies India Limited on the standalone financial statements for the year ended March 31, 2024.

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

1. In conjunction with our audit of the standalone financial statements of Capillary Technologies India Limited ('the Company') as at and for the year ended March 31, 2024, we have audited the internal financial controls with reference to financial statements of the Company as at that date.

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

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

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

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

Walker Chandiook & Co LLP

Annexure II to the Independent Auditor's Report of even date to the members of Capillary Technologies India Limited on the standalone financial statements for the year ended March 31, 2024.

Meaning of Internal Financial Controls with Reference to Standalone Financial Statements

6. A company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to financial statements include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls with Reference to Standalone Financial Statements

7. Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such controls were operating effectively as at March 31, 2024, based on the internal control with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

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

Aasheesh Arjun Singh
Partner
Membership No.: 210122
UDIN: 24210122BKEWLK7959

Bengaluru
June 14, 2024

Capillary Technologies India Limited
Standalone Balance Sheet as at March 31, 2024
(All amounts in Indian Rupees (₹) millions, unless otherwise stated)

	Note	As at March 31, 2024	As at March 31, 2023
I Assets			
(1) Non-current assets			
(a) Property, plant and equipment	3	19.76	13.48
(b) Intangible assets	4	526.61	379.87
(c) Right-of-use assets	30	28.13	12.63
(d) Intangible assets under development	4	31.10	54.97
(e) Financial assets			
(i) Investments	5	2,863.93	1,325.50
(ii) Other financial assets	6	121.16	115.69
(f) Non-current tax assets, net	7	43.06	50.53
(g) Other non-current assets	12	0.88	659.41
		3,634.63	2,612.08
(2) Current assets			
(a) Financial assets			
(i) Investments	8	699.25	-
(ii) Trade receivables	9	433.26	801.82
(iii) Cash and cash equivalents	10	603.53	419.74
(iv) Loan receivables	11	399.99	-
(v) Other financial assets	6	105.69	164.14
(b) Other current assets	12	45.40	554.08
		2,287.12	1,939.78
Total assets (1+2)		5,921.75	4,551.86
II Equity and liabilities			
(1) Equity			
(a) Equity share capital	13	146.46	105.79
(b) Other equity	14	4,508.07	1,944.56
		4,654.53	2,050.35
(2) Non-current liabilities			
(a) Financial liabilities			
(i) Borrowings	15	29.92	421.13
(ii) Lease liabilities	30	8.01	-
(b) Provisions	16	54.48	43.24
		92.41	464.37
(3) Current liabilities			
(a) Financial liabilities			
(i) Borrowings	15	727.84	915.67
(ii) Lease liabilities	30	21.11	14.42
(iii) Trade payables			
(a) total outstanding dues of micro enterprises and small enterprises	19	73.95	28.77
(b) total outstanding dues of creditors other than micro enterprises and small enterprises	19	197.87	445.24
(iv) Other financial liabilities	17	72.31	406.76
(b) Other current liabilities	18	64.44	210.97
(c) Provisions	16	17.29	15.31
		1,174.81	2,037.14
Total liabilities (2+3)		1,267.22	2,501.51
Total equity and liabilities (1+2+3)		5,921.75	4,551.86

Summary of material accounting policies 2.3

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

As per our report of even date.

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

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

Aasheesh Arjun Singh
Partner
Membership No: 210122

Aneesh Reddy
Managing Director and CEO
DIN: 02214511

Anant Choubey
Executive Director, COO & CFO
DIN: 06536413

Place: Bengaluru, India
Date: June 14, 2024

G. Bhargavi Reddy
Company Secretary
Membership No: - A17091
Place: Bengaluru, India
Date: June 14, 2024

Capillary Technologies India Limited
Standalone Statement of Profit and Loss for the year ended March 31, 2024
(All amounts in Indian Rupees (₹) millions, unless otherwise stated)

	Note	March 31, 2024	March 31, 2023
I Income			
Revenue from operations	20	1,425.79	1,501.29
Other income	21	84.68	61.70
Total income		1,510.47	1,562.99
II Expenses			
Cost of campaign services		239.58	253.53
Professional and consultancy expenses		224.99	248.09
Employee benefit expense	22	923.17	1,426.48
Finance costs	24	162.67	90.60
Depreciation and amortisation expense	23	252.82	240.08
Other expenses	25	230.58	204.85
Total expenses		2,033.81	2,463.63
III Loss before tax (I - II)		(523.34)	(900.64)
IV Tax expenses			
(a) Current tax	26	-	-
(b) Deferred tax charge/ (credit)	26	-	-
Total tax expenses		-	-
V Loss for the year (III - IV)		(523.34)	(900.64)
VI Other comprehensive loss			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
(i) Re-measurement (losses) / gains on defined benefit plan		(4.06)	(4.92)
Income tax effect on above		-	-
Total other comprehensive loss for the year (net of tax)		(4.06)	(4.92)
VII Total comprehensive loss for the year (net of tax) (VI + V)		(527.40)	(905.56)
VIII Loss per share (EPS) (face value - ₹ 2 each)			
Basic (₹)	27	(9.30)	(18.00)
Diluted (₹)	27	(9.30)	(18.00)
Summary of material accounting policies	2.3		

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

As per our report of even date

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

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

Aasheesh Arjun Singh
Partner
Membership No: 210122

Aneesh Reddy
Managing Director and CE
DIN: 02214511

Anant Choubey
Executive Director, COO & CFO
DIN: 06536413

Place: Bengaluru, India
Date: June 14, 2024

G. Bhargavi Reddy
Company Secretary
Membership No: - A17091

Place: Bengaluru, India
Date: June 14, 2024

Capillary Technologies India Limited
Standalone Statement of Changes in Equity for the year ended March 31, 2024
(All amounts in Indian Rupees (₹) millions, unless otherwise stated)

A. Equity share capital*

	No. (in millions)	₹
As at April 01, 2022	50.01	100.03
Issuance of share capital (refer notes 13(a) ¹)	2.66	5.33
Issuance of bonus shares (refer note 13(a) ²)	0.22	0.43
As at March 31, 2023	52.89	105.79
Issuance of share capital (refer note 13(a) ³)	2.76	5.51
Issue of rights shares during the year (refer note 13(a) ⁴)	11.05	22.10
Conversion of External commercial borrowing ('ECB') into fully paid shares (refer note 13(a) ⁵)	0.44	0.87
Conversion of convertible instruments (refer note 13(a) ⁶)	5.52	11.05
Exercise of ESOPs (refer note 13(a) ⁷)	0.57	1.14
As at March 31, 2024	73.23	146.46

B. Other equity**

	Attributable to the equity shareholders - Reserves and surplus				
	Retained earnings / (Accumulated deficit)	Share based payments reserve	Capital contribution from the Holding Company	Securities premium	Total other equity
Balance as at April 01, 2022	(1,540.91)	259.17	924.95	1,759.02	1,402.23
Loss for the year	(900.64)	-	-	-	(900.64)
Other comprehensive loss for the year (net of taxes)***	(4.92)	-	-	-	(4.92)
Issuance of share capital (refer note 13(a) ¹)	-	-	-	815.27	815.27
Issuance of fully paid bonus shares (refer note 13(a) ²)	-	-	-	(0.43)	(0.43)
Employee stock option expenses (refer notes 22 and 29)	-	601.09	-	-	601.09
Corporate guarantee provided by the Holding Company	-	-	3.63	-	3.63
Buy-back of employee stock option	-	(5.87)	-	-	(5.87)
Capital contribution in subsidiaries (refer notes 5, 29 and 32)	-	34.20	-	-	34.20
Balance as at March 31, 2023	(2,446.47)	888.59	928.58	2,573.86	1,944.56
Loss for the year	(523.34)	-	-	-	(523.34)
Other comprehensive loss for the year (net of taxes)***	(4.06)	-	-	-	(4.06)
Issuance of share capital (refer note 13(a) ³)	-	-	-	844.49	844.49
Conversion of convertible instruments (refer note 13(a) ⁶)	-	-	-	1,690.45	1,690.45
Issue of rights shares during the year (refer note 13(a) ⁴)	-	-	-	464.19	464.19
Employee stock option expenses (refer notes 22 and 29)	-	32.87	-	-	32.87
Buy-back of employee stock option	-	(97.25)	-	-	(97.25)
Conversion of ECB into fully paid shares (refer note 13(a) ⁵)	-	-	-	133.13	133.13
Exercise of ESOPs (refer note 13(a) ⁷)	-	(174.31)	-	174.63	0.32
Capital contribution in subsidiaries (refer notes 5 and 32)	-	22.71	-	-	22.71
Balance as at March 31, 2024	(2,973.87)	672.61	928.58	5,880.75	4,508.07

*Also refer note 13

**Also refer note 14

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

Summary of material accounting policies 2.3

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

As per our report of even date

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

Firm's registration number: 001076N/N500013

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

Aasheesh Arjun Singh
Partner
 Membership No: 210122

Place: Bengaluru, India
 Date: June 14, 2024

Aneesh Reddy
Executive Director and CEO
 DIN: 02214511

Anant Choubey
Executive Director, COO & CFO
 DIN: 06536413

G. Bhargavi Reddy
Company Secretary
 Membership No: - A17091

Place: Bengaluru, India
 Date: June 14, 2024

Capillary Technologies India Limited
Standalone Statement of Cashflow for the year ended March 31, 2024
(All amounts in Indian Rupees (₹) millions, unless otherwise stated)

	March 31, 2024	March 31, 2023
A. Cash flow from operating activities		
Loss before tax	(523.34)	(900.64)
Adjustments to reconcile loss before tax to net cash flows		
Depreciation and amortisation expenses	252.82	240.08
Provision for doubtful trade receivables and advances, net (including bad debts written off)	4.30	2.76
Employee stock option expenses (including exceptional items) (refer note 29)	22.46	562.59
Provision/ liabilities no longer required, written back	(1.23)	(8.27)
Profit on sale of mutual fund	(17.55)	-
Fair value change in financials assets measured at fair value through statement of profit and loss	(9.59)	-
Gratuity expenses	17.14	13.90
Profit on sale of property, plant and equipment	(0.51)	-
Gain on account of foreign exchange fluctuations (net)	(74.56)	(77.16)
Interest income on income tax refund	(2.58)	-
Interest income on corporate deposit	(6.50)	-
Interest income on bank deposit	(11.74)	(5.42)
Finance costs	161.74	84.75
Operating profit before working capital changes	(189.14)	(87.41)
Working capital adjustments :		
Decrease/ (Increase) in trade receivables	428.41	(91.77)
Decrease/ (Increase) in non-current and current other financial and other assets	566.90	(532.06)
(Decrease)/ Increase in trade payables, non-current and current other financial, other liabilities and provisions	(353.84)	254.26
Cash from / (used) in operations	452.33	(456.98)
Direct taxes refund	10.05	22.20
Net cash flow from / (used) in operating activities (A)	462.38	(434.78)
B. Cash flow from investing activities		
Purchase of property, plant and equipment including intangible assets	(698.85)	(267.91)
Proceeds from sale of property, plant and equipment	1.44	-
Advance towards investment in subsidiary	-	(133.19)
Purchase of non-current investments	(856.44)	(331.57)
(Purchase) / sale of current investment, net	(672.11)	-
Investments in corporate deposits	(399.99)	-
Movement in bank deposits	12.25	42.38
Net cash used in investing activities (B)	(2,613.70)	(690.29)
C. Cash flow from financing activities		
Proceeds from issue of share capital, (including security premium)	1,337.76	820.60
Proceeds from issue of Compulsory Convertible Debentures (CCDs)	1,701.50	-
Proceeds from issue of non convertible debentures	50.00	544.00
Repayment of non convertible debentures	(237.89)	-
Repayment of non-current borrowings	(366.82)	(122.86)
Payment of principal and interest portion of lease liabilities	(20.73)	(19.44)
Proceeds / (repayment) from current borrowings (net)	128.89	285.67
Finance costs paid	(160.52)	(58.83)
Buy back of employee stock options	(97.08)	(5.87)
Net cash generated from financing activities (C)	2,335.11	1,443.27
Net increase in cash and cash equivalents (A+B+C)	183.79	318.20
Cash and cash equivalents at the beginning of the year	419.74	101.54
Cash and cash equivalents at the end of the year	603.53	419.74
Components of cash and cash equivalents		
Balances with banks		
- On current accounts	603.53	419.74
Total cash and cash equivalents (refer note 10)	603.53	419.74
Non-cash investing activities		
Acquisition of right-of-use assets (refer note 30)	38.58	-
Non-cash financing activities	-	-

Capillary Technologies India Limited
Standalone Statement of Cashflow for the year ended March 31, 2024

Explanatory notes to statements of cash flows

	Borrowings (refer note 15)	Lease liabilities (including current portion of lease liabilities) (refer note 30)
As at April 01, 2023	1,336.80	14.42
Cash flow changes		
Proceeds from long-term borrowings	1,751.50	-
Repayment of non-current borrowings	(604.71)	-
Proceeds/ (repayment) from short term borrowings (net)	128.89	-
Conversion of ECB into fully paid shares	(134.00)	-
Conversion of Compulsory Convertible Debentures (CCDs)	(1,701.50)	-
Initiation of new lease		38.58
Payment of lease liabilities	-	(20.73)
Non-cash changes		
Accretion of interest on lease liabilities (refer note 30)	-	1.22
Foreign exchange fluctuations	(19.22)	-
Modification of lease liabilities	-	(4.37)
As at March 31, 2024	757.76	29.12
As at April 01, 2022	600.49	30.72
Cash flow changes		
Proceeds from long-term borrowings	544.00	-
Repayment of long-term borrowings	(122.86)	-
Proceeds/ (repayment) from short term borrowings (net)	285.67	-
Payment of lease liabilities	-	(19.44)
Non-cash changes		
Accretion of interest on lease liabilities (refer note 30)	-	3.14
Foreign exchange fluctuations	10.33	-
Interest on borrowings measured at amortised cost	22.80	-
Corporate guarantee	(3.63)	-
As at March 31, 2023	1,336.80	14.42

Summary of material accounting policies

2.3

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

As per our report of even date

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

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

Aasheesh Arjun Singh
Partner
Membership No: 210122

Aneesh Reddy
Managing Director and CEO
DIN: 02214511

Anant Choubey
Executive Director, COO & CFO
DIN: 06536413

Place: Bengaluru, India
Date: June 14, 2024

G. Bhargavi Reddy
Company Secretary
Membership No: - A17091

Place: Bengaluru, India
Date: June 14, 2024

Capillary Technologies India Limited

Notes to the Standalone Financial Statements for the year ended March 31, 2024

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

3 Property, plant and equipment

Particulars	Computers	Office equipments	Leasehold improvements	Total
Gross block				
As at April 01, 2022	30.31	0.35	0.56	31.22
Additions	8.85	0.99	-	9.84
Disposals	-	-	-	-
As at March 31, 2023	39.16	1.34	0.56	41.06
Additions	19.88	1.25	-	21.13
Disposals	(18.49)	-	-	(18.49)
As at March 31, 2024	40.55	2.59	0.56	43.70
Accumulated depreciation				
As at April 01, 2022	12.08	0.24	0.56	12.88
Charge for the year	14.57	0.13	-	14.70
Disposals	-	-	-	-
As at March 31, 2023	26.65	0.37	0.56	27.58
Charge for the year	13.28	0.64	-	13.92
Disposals	(17.56)	-	-	(17.56)
As at March 31, 2024	22.37	1.01	0.56	23.94
Net block				
As at March 31, 2023	12.51	0.97	-	13.48
As at March 31, 2024	18.18	1.58	-	19.76

4 Intangible assets

Particulars	Computer software	Internally generated assets*	Total	Intangible assets under development*#
Gross block				
As at April 01, 2022	5.90	-	5.90	-
Additions	-	586.49	586.49	54.97
Disposals	-	-	-	-
As at March 31, 2023	5.90	586.49	592.39	54.97
Additions	0.58	366.37	366.95	17.81
Disposals	-	-	-	-
Capitalization	-	-	-	(41.68)
As at March 31, 2024	6.48	952.86	959.34	31.10
Accumulated amortisation				
As at April 01, 2022	3.98	-	3.98	-
Charge for the year	0.86	207.68	208.54	-
Disposals	-	-	-	-
As at March 31, 2023	4.84	207.68	212.52	-
Charge for the year	0.62	219.59	220.21	-
As at March 31, 2024	5.46	427.27	432.73	-
Net block				
As at March 31, 2023	1.06	378.81	379.87	54.97
As at March 31, 2024	1.02	525.59	526.61	31.10

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

Particulars	For the year ended March 31, 2024	
	Internally generated assets	Intangible assets under development
Employee salary costs	285.01	17.81
Employee stock option expenses	10.24	-
Software and server charges	71.12	-
	366.37	17.81

Particulars	For the year ended March 31, 2023	
	Internally generated assets	Intangible assets under development
Purchase of intangible assets and intangible asset under development (together referred to as 'intellectual property, or 'IP') (refer note 17 and 32)	341.29	3.61
Employee salary costs	141.64	51.36
Employee stock option expenses	38.82	-
Software and server charges	64.74	-
	586.49	54.97

#Intangible assets under development (IAUD) ageing schedule

As at March 31, 2024

Particulars	Amount of IAUD for a period of				Total
	Less than 1 years	1-2 years	2-3 years	More than 3 years	
Project in progress	17.81	13.29	-	-	31.10
	17.81	13.29	-	-	31.10

As at March 31, 2023

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

There are no intangible assets under development whose completion is overdue as at March 31, 2024 and as at March 31, 2023.

Capillary Technologies India Limited
Notes to the Standalone Financial Statements for the year ended March 31, 2024
(All amounts in Indian Rupees (₹) millions, unless otherwise stated)

	As at March 31, 2024	As at March 31, 2023
5 Non-current investments		
Investments at cost		
Unquoted equity shares (refer note 32)		
3,185.22 million (March 31, 2023: 2,365.26 million) equity shares of Capillary Pte Ltd., Singapore ^{1,2,3}	2,784.73	1,269.01
Capital contribution in subsidiaries (refer notes 29 and 32)		
Capillary Technologies DMCC, UAE	16.88	14.37
Capillary Technologies (Malaysia) Sdn. Bhd., Malaysia	21.75	18.58
PT Capillary Technologies Indonesia	2.44	2.50
Capillary Pte Limited., Singapore	0.04	0.61
Capillary Technologies LLC (formerly known as 'Persuade Loyalty LLC'), USA	20.71	20.43
Capillary Brierley Inc. (formerly known as 'Brierley and Partners Inc'), USA	11.69	-
Capillary Technologies Europe Limited ((formerly known as 'Brierley Europe Ltd')	5.69	-
Total investments	2,863.93	1,325.50

Notes:

¹During the year ended March 31, 2024, the Board of Directors of the Company has approved the investments by way of subscription of shares of Capillary Pte. Ltd, Singapore ('CPL') in respect of which, USD 10.34 million (₹ 856.44) has been invested during the year.

The Company had invested in CPL at the rate of USD 0.014 per equity share a total amount of ₹ 1,515.72 in the following tranches:

- (a) 214.28 million equity shares on April 05, 2023;
- (b) 571.43 million equity shares on April 12,2023; (Refer Note 12¹)
- (c) 259.64 million equity shares on August 21, 2023;
- (d) 107.14 million equity shares on December 22,2023; and
- (e) 157.14 million equity shares on February 28,2024

489.68 million equity shares allotted dated December 20, 2022 for capitilaisation by way of export receipt has been was cancelled by CPL dated August 23, 2023. The amount was shown as advance towards investment in subsidiary as on March 31, 2023. Refer note 12².

²During the previous year ended March 31, 2023, the Board of Directors had approved the investments by way of subscription of shares of Capillary Pte. Ltd, Singapore ('CPL') for an amount not exceeding USD 10.42 million, out of which, USD 4.05 million had been invested during the previous year and USD 6.37 million has been invested in current year.

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

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

³ The Company has invested in CPL which in turn has certain underlying subsidiaries which had been incurring losses. Based on the internal assessment with regard to future operations, the management is of the view that the carrying value of the Company's investment in CPL as on March 31, 2024 is appropriate and no adjustments is required in the standalone financial statements in this regard.

Aggregate value of unquoted investments	2,863.93	1,325.50
Aggregate amount of impairment in value of investments	-	-

(This space has been intentionally left blank)

Capillary Technologies India Limited

Notes to the Standalone Financial Statements for the year ended March 31, 2024

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

	As at March 31, 2024	As at March 31, 2023
6 Financial assets		
<i>Unsecured considered good unless otherwise stated</i>		
Non-current		
Financial instruments at amortised cost		
Non-current bank balances (refer note 10)	121.16	115.69
Total other non-current financial assets	121.16	115.69
Current		
Financial instruments at amortised cost		
Security deposits	9.22	2.75
Other receivables from related parties (refer note 32) ¹	83.50	156.94
Advances to employees	0.49	0.33
Interest accrued on deposits	12.48	4.12
	105.69	164.14

¹ Other receivables from related parties are non-interest bearing and are generally on terms of upto 90 days. Other receivables from related parties includes Nil (March 31, 2023: ₹ 128.23) due from the Holding Company which are secured against the External Commercial Borrowings of Nil (March 31, 2023: ₹ 179.22) payable to the Holding Company. The management has recovered the amount from Holding Company during current year.

7 Non-current tax assets		
Tax assets	43.06	50.53
Total tax assets	43.06	50.53

	As at March 31, 2024	As at March 31, 2023
8 Investments		
Unquoted - Investments in mutual funds		
Investment measured at fair value through profit and loss		
	No. of units	Value
ABSL Money Manager Fund - Direct Plan - Growth	2,75,032	93.73
Kotak Money Market Scheme - Direct Plan - Growth	49,276	203.14
UTI Money Market Fund - Direct Plan - Growth	72,549	205.72
Kotak Liquid Fund - Direct Plan - Growth	11,110	54.21
DSP Liquidity Fund - Direct Plan - Growth	41,274	142.45
		699.25
Aggregate value of unquoted investments		699.25
Aggregate amount of impairment in value of investments		-

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Capillary Technologies India Limited
Notes to the Standalone Financial Statements for the year ended March 31, 2024
(All amounts in Indian Rupees (₹) millions, unless otherwise stated)

	As at March 31, 2024	As at March 31, 2023
9 Trade receivables**		
Trade receivables - Others ²	153.11	187.33
Trade receivable - Related parties ^{1,2,3,4} (refer note 32)	280.15	614.49
Total trade receivables	433.26	801.82
Break-up for security details:		
Trade receivables - Unsecured, considered good	433.26	801.82
Trade receivables - Unsecured, credit impaired (refer note 9.1)	7.34	3.04
(A)	440.60	804.86
Impairment allowance (allowance for bad and doubtful debts)		
Trade receivables - Unsecured, credit impaired (refer note 9.1)	(7.34)	(3.04)
(B)	(7.34)	(3.04)
(A + B)	433.26	801.82

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

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

³ The Company has trade receivables (including unbilled revenue of ₹ 128.94) (March 31, 2023: Nil) aggregating to ₹ 280.15 and ₹ 614.49 as on March 31, 2024 and March 31, 2023 respectively, which is outstanding from Capillary Pte. Ltd.

⁴ During the previous year ended 31 March 2023, trade receivables amounting to ₹ 515.97 were towards rendering of service which are aged beyond the timelines stipulated in FED Master Direction No. 16/2015-16 under the Foreign Exchange Management Act, 1999. The Company had approached their Authorised Dealer (AD) banker, seeking an extension of the time for realisation of referred amount and was in the process of settling with the related parties. However, the application was pending for approval by the AD banker. During the current year, the Company has settled the aged receivables. Considering the subsequent collection without any interest/penalty, the Company is confident that there would not be any financial impact (penalty/interest) regarding the delayed amount received from the subsidiary. Consequently no provision for penalty/interest has been recognised in the standalone financial statements

9.1 Expected credit loss allowance

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

At the beginning of the year	3.04	15.66
Provision made during the year	5.99	2.76
(Utilised) / (reversed) during the year	(1.69)	(15.38)
At the end of the year	7.34	3.04

9.2 Trade receivables ageing schedule

As at March 31, 2024

	Unbilled*	Current but not due	Outstanding for following periods from due date of payment				Total	
			Less than 6 months	6 months - 1 year	1 - 2 years	2 - 3 years		More than 3 years
Undisputed trade receivables								
- considered good	171.24	67.43	194.32	0.05	0.01	0.21	-	433.26
- with significant increase in credit risk	-	-	-	-	-	-	-	-
- credit impaired	-	-	0.50	6.17	0.61	0.06	-	7.34
Total	171.24	67.43	194.82	6.22	0.62	0.27	-	440.60

As at March 31, 2023

	Unbilled*	Current but not due	Outstanding for following periods from due date of payment				Total	
			Less than 6 months	6 months - 1 year	1 - 2 years	2 - 3 years		More than 3 years
Undisputed trade receivables								
- considered good	47.81	97.15	653.98	2.12	0.76	-	-	801.82
- with significant increase in credit risk	-	-	-	-	-	-	-	-
- credit impaired	-	-	0.82	1.33	0.89	-	-	3.04
Total	47.81	97.15	654.80	3.45	1.65	-	-	804.86

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

** Trade receivables are generally on terms of 30 to 120 days.

Capillary Technologies India Limited
Notes to the Standalone Financial Statements for the year ended March 31, 2024
(All amounts in Indian Rupees (₹) millions, unless otherwise stated)

	As at March 31, 2024	As at March 31, 2023
10 Cash and cash equivalents		
a) Balances with banks		
In current accounts	603.53	419.74
	(A) 603.53	419.74
b) Other bank balances		
Margin money deposits*	121.16	115.69
	(B) 121.16	115.69
Disclosed under other non-current financial assets (refer note 6)	(121.16)	(115.69)
	(C) (121.16)	(115.69)
	(A+B+C) 603.53	419.74

*These are under lien against short-term borrowings from a bank (refer note 15)

11 Loan receivables

Unsecured, considered good

Corporate deposits*	399.99	-
	399.99	-

***Details of corporate deposits during the year:**

Name of borrower	Nature of relationship	Secured/unsecured	Rate of interest	Term	As on March 31, 2024
Bajaj Finance Limited	Others	Unsecured	7.95%	< 6 months	200.00
Aditya Birla Finance Ltd	Others	Unsecured	8.10%	< 6 months	199.99
					399.99

Corporate deposits were made during the year to earn treasury income

12 Other assets

Non-current

Others (Unsecured, considered good)

Advance towards investment in subsidiary ¹ (refer note 32)	-	659.28
Deferred contract costs*	0.88	0.13
Total non-current assets	0.88	659.41

Current

Unsecured, considered good

Advance towards investment in subsidiary ² (refer note 32)	-	526.09
Advances other than capital advances	5.61	9.02
Others (Unsecured, considered good)		
Deferred contract costs*	0.68	0.47
Prepaid expenses	26.36	16.26
Balance with statutory/ government authorities	12.75	2.24
Total current assets	45.40	554.08

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

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

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

2) Capitalisation of export receipts under automatic route amounting USD 6.37 million (₹ 526.22). The Company had filed a Overseas Direct Investment ('ODI') application with Authorised Dealer ('AD') bank dated December 13, 2022 for investment in CPL by capitalization of export receipts. CPL had allotted 489.68 million equity shares at the rate of USD 0.0140 dated December 20, 2022 against the capitalisation of export receipts. However AD bank approval for the said transaction approval had not been received and on August 04, 2023 the Company with the consent of AD bank had withdrawn the ODI application. 489.68 million equity shares allotted dated December 20, 2022 was cancelled by CPL dated August 23, 2023 and amount was recovered from CPL.

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

	As at March 31, 2024	As at March 31, 2023
Deferred contract costs		
At the beginning of the year	0.60	1.83
Additions during the year	2.47	1.50
Amortised during the year	(1.51)	(2.73)
At the end of the year	1.56	0.60
The same is shown under:		
Current	0.68	0.47
Non-current	0.88	0.13

13 Equity share capital

	Equity shares		Preference shares	
	Number (in millions)	₹	Number (in millions)	₹
Equity shares of ₹ 2 each				
Preference shares of ₹ 10 each				
<i>Authorised share capital</i>				
As at April 01, 2022	75.00	150.00	0.10	1.00
Increase/ (decrease) during the year	-	-	-	-
As at March 31, 2023	75.00	150.00	0.10	1.00
Increase/ (decrease) during the year ¹	50.00	100.00	-	-
As at March 31, 2024	125.00	250.00	0.10	1.00

¹ Pursuant to the approval of the Board of Directors dated March 1, 2024 and shareholders at the Extra-Ordinary General Meeting dated March 8, 2024, the authorised share capital of the Company was increased from ₹ 150 i.e. 75 million equity shares of ₹ 2 each to ₹ 250 i.e. 125 million equity shares of ₹ 2 each and 0.10 million preference shares of ₹ 10 each.

(a) Issued share capital

	Equity shares		Equity component of Compulsorily Convertible Preference Shares ('CCPS')	
	Number (in millions)	₹	Number (in millions)	₹
Equity shares of ₹ 2 each (March 31, 2023 : ₹ 2 each) issued, subscribed and fully paid up				
Preference shares of ₹ 10 each issued, subscribed and fully paid up				
As at April 01, 2022	50.01	100.03	-	-
Issuance of share capital ¹	2.66	5.33	-	-
Issuance of bonus shares ²	0.22	0.43	-	-
As at March 31, 2023	52.89	105.79	-	-
Issuance of share capital ³	2.76	5.51	-	-
Issue of Rights shares during the year ⁴	11.05	22.10	-	-
Conversion of ECB into fully paid shares ⁵	0.44	0.87	-	-
Conversion of convertible instruments ⁶	5.52	11.05	-	-
Exercise of ESOPs ⁷	0.57	1.14	-	-
As at March 31, 2024	73.23	146.46	-	-

¹ Pursuant to the approval of the Board of Directors, dated March 24, 2023, the Company approved the allotment of 2,664,285 equity shares of face value of ₹ 2 each at a price of ₹ 308 per equity share (including securities premium of ₹ 306 per equity share) for an amount aggregating to ₹ 820.60 on a private placement basis under the provisions of Companies Act, 2013 and all other applicable laws and regulations.

² Pursuant to the approval of Board of Directors dated March 24, 2023, the Company has approved the issuance of bonus shares in the proportion of 4.53:1 aggregating to 214,656 equity shares of face value of ₹ 2 each for an amount aggregating to ₹ 0.4 (fully paid-up by way of capitalisation of the Company's securities premium account) to the existing equity shareholders of the Company other than promoters under the provisions of Companies Act, 2013 and all other applicable laws and regulations.

³ Pursuant to the approval of Board of Directors on multiple dates during the year, the Company approved the allotment of 2,759,755 equity shares of face value of ₹ 2 each at a price of ₹ 308 per equity share (including securities premium of ₹ 306 per equity share) for an amount aggregating to ₹ 850.00 on a private placement basis under the provisions of the Companies Act, 2013 and all other applicable laws and regulations.

⁴ Pursuant to the approval of Board of Directors dated March 28, 2024, the Company approved the allotment of 11,052,223 equity shares of face value of ₹ 2 each at a price of ₹ 44 per equity share (including securities premium of ₹ 42 per equity share) for an amount aggregating to ₹ 486.29 by way of right issue to the existing shareholders under the provisions of Companies Act, 2013 and all other applicable laws and regulations.

⁵ Pursuant to the approval of Board of Directors dated January 29, 2024, the Company approved the allotment of 435,065 equity shares of face value of ₹ 2 each at a price of ₹ 308 per equity share (including securities premium of ₹ 306 per equity share) for an amount aggregating to ₹ 134.00 for consideration other than cash consequent to conversion of external commercial borrowings to Capillary Technologies International Pte. Ltd., the Holding Company (Refer note 15²).

⁶ Pursuant to the approval of the Board of Directors, the Company approved the conversion of Compulsory Convertible Debentures (CCDs) issued during the year into 5,524,350 equity shares of face value of ₹ 2 each at a price of ₹ 308 per equity share (including securities premium of ₹ 306 per equity share) for an amount aggregating to ₹ 1701.50 on a private placement basis under the provisions of Companies Act, 2013 and all other applicable laws and regulations.

⁷ Pursuant to the approval of Nomination and Remuneration Committee dated November 15, 2023, the Company approved the allotment of 571,064 equity shares arisen out of exercise of vested employee stock options under Capillary ESOP-2021 Scheme. The ESOP's exercised were of face value of ₹ 2 each at a price of ₹ 307.80 per equity share (including securities premium of ₹ 305.80 per equity share) for an amount aggregating to ₹ 175.77.

Capillary Technologies India Limited**Notes to the Standalone Financial Statements for the year ended March 31, 2024***(All amounts in Indian Rupees (₹) millions, unless otherwise stated)***13 Equity share capital (Cont'd)****(b) Terms / rights attached to equity shares**

The Company has only one class of equity shares having par value of ₹ 2 per share (March 31, 2023: ₹ 2 per share). Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) Terms / rights attached to preference shares

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

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

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

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

(d) Shares held by the Holding / Ultimate Holding Company and / or their subsidiaries / associates

Out of the equity shares issued by the Company, shares held by its Holding Company, Ultimate Holding Company and their subsidiaries / associates are as below:-

Name of the shareholder

	As at March 31, 2024	As at March 31, 2023
Capillary Technologies International Pte Ltd, Singapore, the Holding Company¹		
51.07 million equity shares of ₹ 2 each fully paid (March 31, 2023: 49.04 million equity shares of ₹ 2 each fully paid)	102.14	98.08

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

<u>Name of the shareholder</u>	March 31, 2024		March 31, 2023	
	No. of shares held (in million)	% holding in the class	No. of shares held (in million)	% holding in the class
Equity shares of ₹ 2 each (March 31, 2023 : ₹ 2 each), fully paid				
Capillary Technologies International Pte Ltd, Singapore, the Holding Company ¹	51.07	69.74%	49.04	92.72%
Avataar Holdings	3.13	4.27%	2.66	5.04%
Avataar II Co Investment II Ltd	5.52	7.54%	-	-
Avataar Venture Partners II	4.04	5.52%	-	-

As per the records of the Company, including its register of shareholders / members and other declarations received from the shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

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

Capillary Technologies India Limited
Notes to the Standalone Financial Statements for the year ended March 31, 2024
(All amounts in Indian Rupees (₹) millions, unless otherwise stated)
13 Equity share capital (Cont'd)
(f) Details of shares held by promoters

Promoter name	No. of shares at the beginning of the year (in millions)	Change during the year	No. of shares at the end of the year (in millions)	% of total shares	% change during the year
Capillary Technologies International Pte Ltd, Singapore					
March 31, 2024	49.04	2.03	51.07	69.74%	(22.98%)
March 31, 2023	49.04	-	49.04	92.72%	(1.94%)

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

	As at March 31, 2024	As at March 31, 2023
Equity shares allotted as fully paid bonus shares by capitalisation of securities premium (Number of shares, in millions)	-	0.22
Equity shares allotted for conversion of external commercial borrowing (Number of shares, in millions) (refer note 15 ²)	0.44	-

(h) Shares reserved for issue under options

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

14 Other equity

	₹
Securities premium	
As at April 01, 2022	1,759.02
Add: Issuance of share capital (refer note 13(a) ¹)	815.27
Less: Issuance of fully paid bonus shares (refer note 13(a) ²)	(0.43)
As at March 31, 2023	2,573.86
Add: Issuance of share capital (refer note 13(a) ³)	844.49
Issue of Rights shares during the year (refer note 13(a) ⁴)	464.19
Conversion of ECB into fully paid shares (refer note 13(a) ⁵)	133.13
Conversion of convertible instruments (refer note 13(a) ⁶)	1,690.45
Exercise of ESOPs (refer note 13(a) ⁷)	174.63
As at March 31, 2024	5,880.75
Capital contribution from the Holding Company	
As at April 01, 2022	924.95
Corporate Guarantee provided by the Holding Company	3.63
As at March 31, 2023	928.58
Employee stock option expenses (refer note 29)	-
As at March 31, 2024	928.58
Share based payments reserve	
As at April 01, 2022	259.17
Employee stock option expenses (refer note 29)	601.09
Capital contribution in subsidiaries (refer note 5, 29 and 32)	34.20
Buy-back of employee stock option	(5.87)
As at March 31, 2023	888.59
Employee stock option expenses (refer note 29)	32.87
Exercise of ESOPs (refer note 13(a) ⁷)	(174.31)
Capital contribution in subsidiaries (refer note 5, 29 and 32)	22.71
Buy-back of employee stock option	(97.25)
As at March 31, 2024	672.61
Retained earnings/(Accumulated deficit)¹	
As at April 01, 2022	(1,540.91)
Loss for the year	(900.64)
Add: Re-measurement gains / (losses) on defined benefit plans	(4.92)
As at March 31, 2023	(2,446.47)
Loss for the year	(523.34)
Add: Re-measurement (losses) / gains on defined benefit plans	(4.06)
As at March 31, 2024	(2,973.87)
Total other equity	
As at March 31, 2023	1,944.56
As at March 31, 2024	4,508.07

Capillary Technologies India Limited**Notes to the Standalone Financial Statements for the year ended March 31, 2024***(All amounts in Indian Rupees (₹) millions, unless otherwise stated)***14 Other equity (Cont'd)**

¹ The Company has incurred cash losses during the years ended March 31, 2024 and March 31, 2023 which has resulted in substantial erosion of net worth of the Company and as on March 31, 2023, the Company's current liabilities exceed the current assets. Though the net worth of the Company was substantially eroded, the management of the Company basis its business plan as approved by the Board of Directors expects that there will be a significant increase in the operations of the Company that will lead to improved cash flows and long-term sustainability and the Company will be able to generate sufficient profit in future years to meet the operational requirements as they arise and to meet its liabilities as and when they fall due. Accordingly, the standalone financial statements of the Company have been prepared on a going concern basis and do not include any adjustments relating to the carrying amount and classification of assets or the amounts and classification of liabilities that may be necessary if the entity is unable to continue as a going concern.

Nature and purpose of reserves**14.1 Securities premium**

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

14.2 Capital contribution from the Holding Company

The Company's Holding Company had a share option scheme under which it granted employee stock options to certain employees of the Company without any cross charge. Capital contribution from the Holding Company is used to recognise the value of equity-settled share-based payments provided to employees of the Company, including key management personnel, as part of their remuneration, by the Holding Company. Refer note 32 for further details.

14.3 Retained earnings/(Accumulated deficit)

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

12.4 Share based payment reserve

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

15 Borrowings**Non-current****Debentures:**

Unlisted, non convertible, redeemable debentures (secured)¹

	As at March 31, 2024	As at March 31, 2023
Unlisted, non convertible, redeemable debentures (secured) ¹	29.92	331.52
Loan from related party:		
External Commercial Borrowing ('ECB') from Holding Company (unsecured) ² (refer note 13(a) ⁵ and 32)	-	89.61
Total	29.92	421.13
Current		
Current maturities of long-term borrowings:		
Debentures:		
Unlisted, non convertible, redeemable debentures (secured) ¹	322.56	208.86
Loan from related party:		
External Commercial Borrowing ('ECB') from Holding Company (unsecured) ² (refer note 13(a) ⁵ and 32)	-	89.61
Term loan from Body Corporate:		
Indian Rupee term loans from Body Corporate - NBFC (secured) ³	-	36.91
Short-term borrowings:		
Loan from Body Corporate (unsecured) ⁴	-	50.48
Loan from Body Corporate (secured) ⁵	-	253.44
Loans repayable on demand:		
Bank overdraft (secured) ⁶	106.70	-
Working capital loans from a bank (secured) ⁶	298.58	276.37
Total	727.84	915.67
The above amount includes		
Secured borrowings	757.76	1,107.10
Unsecured borrowings	-	229.70

Loan from related party:

External Commercial Borrowing ('ECB') from Holding Company (unsecured)² (refer note 13(a)⁵ and 32)

Total**Current****Current maturities of long-term borrowings:****Debentures:**

Unlisted, non convertible, redeemable debentures (secured)¹

Loan from related party:

External Commercial Borrowing ('ECB') from Holding Company (unsecured)² (refer note 13(a)⁵ and 32)

Term loan from Body Corporate:

Indian Rupee term loans from Body Corporate - NBFC (secured)³

Short-term borrowings:

Loan from Body Corporate (unsecured)⁴

Loan from Body Corporate (secured)⁵

Loans repayable on demand:

Bank overdraft (secured)⁶

Working capital loans from a bank (secured)⁶

Total**The above amount includes**

Secured borrowings

Unsecured borrowings

15 Borrowings (Cont'd)

Interest and security notes to Borrowings:

¹The Company had entered into debenture trust deed dated March 29, 2023 for issue of 6,000 (six thousand) fully paid, unlisted, secured and redeemable non-convertible debentures (NCD) of face value of ₹ 100,000 each, aggregating to an amount of ₹ 600 for general corporate purposes. As on March 31, 2024 the Company has issued 6,000 fully paid, NCD, (March 31, 2023: 5,500) on a private placement basis, aggregating to an amount of ₹ 600. The NCD carries fixed coupon rate of 14.5% per annum, payable monthly on first of each month from the date of disbursement. The NCD shall mature on April 01, 2025 and the principal amount of NCD are payable in equal monthly instalment starting from September 01, 2023. The NCD is secured by way of first pari passu charge on all the existing future, fixed, non-current and current assets, including any and all intellectual property and the intellectual property rights with respect to these movables present and future, accounts, cashflows, receivables, book debts, revenue, equipment, inventory, contract rights or right to payment of money, leases, license agreement, franchise agreements, goodwill, uncalled capital, general intangibles, documents, instruments (including any promissory notes), chattel paper (whether tangible or intangibles), cash, deposit accounts, fixtures, letter of credit rights (whether or not the letter of credit is evidenced by writing) and all other investment property of the Company. The NCD is also secured by way of unconditional and irrevocable corporate guarantee from Capillary Technologies International Pte Ltd, Singapore, the Holding Company.

² During the year ended March 31, 2019, the Company had entered into an External Commercial Borrowing ('ECB') arrangement with Capillary Technologies International Pte Ltd, Singapore, the Holding Company. During the year ended March 31, 2020, the Company had taken loans amounting to USD 2 million carrying interest at the rate of 6 months LIBOR rate plus 300 basis points per annum payable on an annual basis at the end of each financial year. The aforesaid loan is repayable in two equal instalments on March 31, 2024 and September 30, 2024 respectively.

During the year ended March 31, 2024, pursuant to the approval of Board of Directors dated January 29, 2024, the Company approved the allotment of 435,065 equity shares of face value of ₹ 2 each at a price of ₹ 308 per equity share (including securities premium of ₹ 306 per equity share) for an amount aggregating to ₹ 134.00 for consideration other than cash consequent to conversion of the said external commercial borrowings to Capillary Technologies International Pte. Ltd., the Holding Company. (Also refer note 13(a)⁵)

³ Indian Rupees term loans from Body Corporate - NBFC carries an interest of 14.35% per annum and is payable on monthly basis in 21 equal instalments. During the year ended March 31, 2024, the entire loan was paid as per the repayment schedule. The loan was secured by hypothecation of existing, future, fixed, current and non-current assets, including any and all intellectual property and the intellectual property rights with respect to these movables present and future, accounts, cash flows, receivables, book debts, revenues, equipment, inventory, contract rights or rights to payments of money, leases, license agreements, franchise agreements, goodwill, uncalled capital, general intangibles, documents, instruments (including any promissory notes), chattel paper (whether tangible or electronic), cash, deposit accounts, fixtures, letter of credit rights (whether or not the letter of credit is evidenced by a writing), securities, and all other investment property, supporting obligations, and financial assets, whether now owned or hereafter acquired, whether installed or not and whether now lying loose or in cases or which are now lying or stored in or about or to be stored in or about the Company's factories, premises and godowns held by any party to the order or disposition of the Company, including in the course of transits, whether in ship or land, and all Company's books relating to the foregoing, and any and all claims, rights and interests in any of the above and all substitutions for, additions, attachments, accessories, accessions and improvements to and replacements, products, proceeds and insurance proceeds of any or all of the foregoing and was guaranteed by way of a letter of guarantee from Capillary Technologies International Pte Ltd, Singapore, the Holding Company. During the year ended March 31, 2024, the entire loan was repaid by the Company.

⁴ The Company had entered into a loan agreement dated October 10, 2022 with Ms Biotech Private Limited for ₹ 100. The loan was unsecured and was granted at an interest rate of 12.5% per annum payable on a monthly basis on a loan amount upto ₹ 50 and interest rate of 18% on rest of the amount of loan i.e. ₹ 50. During the year ended March 31, 2024, the entire loan was repaid by the Company.

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

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

⁵ The Company had entered into a loan agreement dated November 28, 2022 with Gameberry Labs Private Limited for ₹ 250 with interest of 18% per annum payable month and principal repayment within twelve months from the date of disbursement. During the year ended March 31, 2024, the entire loan was repaid. The loan was secured by hypothecation of existing book debts, accounts receivable, outstanding moneys, claims, demands, bills, contracts, engagements, securities, movable plant and machinery including vehicles, equipments, computers, furniture, appliances, products, machinery spares and stores, tools and accessories, whether installed or not, all intellectual property and intellectual property rights, securities and other sums which are now due and owing or accruing, any and all cash proceeds and/or non cash proceeds of any of the foregoing, including without limitation, insurance proceeds, and all supporting obligations and its security therefore or for any right to payment and any receivables from the assets that are acquired by the Company pursuant to the utilisation of loan amount. The loan was secured by way of a pari passu first charge over the hypothecated properties, in favour of the Gameberry Labs Private Limited. During the year ended March 31, 2024, the entire loan was repaid by the Company.

⁶ The Company has availed a bank overdraft facility and sales invoice discounting facility and post shipment credit facility carrying interest at REPO as reference rate and Secured Overnight Financing Rate (SOFR) plus 150 basis points per annum, respectively (HDFC Bank). The bank overdraft facility is payable on demand and sales invoice discounting facility is payable in 180 days from the disbursement of the loan. The loans are secured by way of hypothecation of stocks, bills, book debts and receivables and fixed deposits held as margin moneys. Statement of current assets filed with banks are in agreements with the books of accounts.

⁷ The Company has not been declared willful defaulter by any bank or financial institution or government or any government authority.

Capillary Technologies India Limited

Notes to the Standalone Financial Statements for the year ended March 31, 2024

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

	As at March 31, 2024	As at March 31, 2023
16 Provisions		
Non-current		
Provision for employee benefits:		
Provision for gratuity (refer note 28)	54.48	43.24
	54.48	43.24
Current		
Provision for employee benefits:		
Provision for gratuity (refer note 28)	13.02	10.90
Provision for compensated absences	4.27	4.41
	17.29	15.31
17 Other financial liabilities		
Current		
At amortised cost		
Accrued salaries and benefits	72.31	61.86
Payable towards purchase of intellectual property ¹	-	344.90
	72.31	406.76
¹ On February 28, 2023, the Company had entered into deed of assignment for purchase of intellectual property from its wholly owned subsidiary, Capillary Technologies Pte. Ltd. amounting to ₹ 344.90.		
18 Other liabilities		
Current		
Contract liabilities - Deferred revenue (refer note 20.2 and 32)	42.05	190.71
Statutory dues payable	22.39	20.26
	64.44	210.97
19 Trade payables		
At amortised cost		
Total outstanding dues of:		
Micro enterprises and small enterprises ^{1,2}	73.95	28.77
Other than micro enterprises and small enterprises (refer notes 32) ¹	197.87	445.24
	271.82	474.01
The above amount includes:		
Trade payables to related parties (refer note 32)	76.34	245.01
Trade payables to others	195.48	229.00
	271.82	474.01

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

² The Ministry of Micro, Small and Medium Enterprises has issued an office memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum in accordance with the 'Micro, Small and Medium Enterprises Development Act, 2006' ('the Act'). Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 March 2024 has been made in the standalone financial statements based on information received and available with the Company. Further in view of the Management, the impact of interest, if any, that may be payable in accordance with the provisions of the Act is not expected to be material. The Company has not received any claim for interest from any supplier as at the Balance Sheet date.

Disclosure as per the MSMED Act, 2006

	As at March 31, 2024	As at March 31, 2023
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year:		
- Principal amount due to micro and small enterprises	73.95	28.48
- Interest due on above	-	0.29
The amount of interest paid by the buyer in terms of Section 16 of the MSMED Act 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	-	-
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act 2006.	-	-
The amount of interest accrued and remaining unpaid at the end of each accounting year.	-	0.29
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under Section 23 of the MSMED Act, 2006	-	-

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Capillary Technologies India Limited
Notes to the Standalone Financial Statements for the year ended March 31, 2024
(All amounts in Indian Rupees (₹) millions, unless otherwise stated)

19 Trade payables (Cont'd)

Trade payables ageing schedule

As at March 31, 2024

	Unbilled/ Not due	Outstanding for following periods from date of transaction				Total
		Less than 1 year	1-2 years	2-3 years	More than 3 years	
Undisputed dues of:						
-micro enterprises and small enterprises	-	73.95	-	-	-	73.95
-other than micro enterprises and small enterprises	73.83	122.40	1.64	-	-	197.87
	73.83	196.35	1.64	-	-	271.82

As at March 31, 2023

	Unbilled/ Not due	Outstanding for following periods from date of transaction				Total
		Less than 1 year	1-2 years	2-3 years	More than 3 years	
Undisputed dues of:						
-micro enterprises and small enterprises	-	28.47	0.02	-	0.28	28.77
-other than micro enterprises and small enterprises	77.44	285.12	82.09	0.07	0.52	445.24
	77.44	313.59	82.11	0.07	0.80	474.01

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Capillary Technologies India Limited

Notes to the Standalone Financial Statements for the year ended March 31, 2024

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

	March 31, 2024	March 31, 2023
20 Revenue from operations		
Sale of services		
Service income from group companies (refer note 32)	656.36	632.50
Installation income from external customers	38.32	68.86
Retainership and other services from external customers	468.42	497.87
Income from campaign services	262.69	302.06
Total revenue from operations	1,425.79	1,501.29
India	769.43	868.79
Outside India	656.36	632.50
Total revenue from operations	1,425.79	1,501.29
20.1 Timing of revenue recognition		
Services transferred over time	1,163.10	1,199.23
Services transferred at a point in time	262.69	302.06
	1,425.79	1,501.29
20.2 Contract balances		
Trade receivables (including unbilled revenue):-		
- Current (Gross)	440.60	804.86
- Impairment allowance	(7.34)	(3.04)
Contract liabilities:-		
Deferred revenue:		
- Current	42.05	190.71
	42.05	190.71
	As at March 31, 2024	As at March 31, 2023
<u>Movement in Contract liabilities - Deferred revenue</u>		
Opening balance	190.71	29.57
Add: Revenue to be recognised from performance obligations to be satisfied in succeeding year	42.05	190.71
Less: Revenue recognised that was included in contract liability at the beginning of the year	(190.71)	(29.57)
Closing balance	42.05	190.71
<u>Movement in Advances from customers</u>		
Opening balance	-	1.91
Add: Additions during the year	-	45.18
Less: Revenue recognised that was included in the beginning of the year	-	(47.09)
Closing balance	-	-
21 Other income		
Provisions/liabilities no longer required written back	1.23	8.27
Gain on account of foreign exchange fluctuations (net)	18.05	27.12
Profit on sale of property, plant and equipments	0.51	0.06
Interest income on bank deposits	11.74	5.42
Interest income on income tax refund	2.58	9.71
Interest income on corporate deposits	6.50	-
Profit on sale of mutual fund	17.55	-
Fair value change in financials assets measured at fair value through statement of profit and loss	9.59	-
Interest income on security deposits	0.35	-
Other non-operating income (refer note 32)	16.58	11.12
	84.68	61.70

Capillary Technologies India Limited

Notes to the Standalone Financial Statements for the year ended March 31, 2024

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

	March 31, 2024	March 31, 2023
22 Employee benefit expenses		
Salaries, wages and bonus	843.11	816.37
Contribution to provident funds (refer note 28)	10.78	9.94
Gratuity expenses (refer note 28)	17.14	13.90
Employee stock option expenses (refer note 29)	22.46	562.59
Staff welfare expenses	29.68	23.68
	923.17	1,426.48
23 Depreciation and amortisation expenses		
Depreciation of property, plant and equipment (refer note 3)	13.92	14.70
Amortisation of intangible assets (refer note 4)	220.21	208.54
Depreciation of right-of-use assets (refer note 30)	18.69	16.84
	252.82	240.08
24 Finance costs		
Interest on borrowings (refer note 32)	160.52	81.61
Interest on lease liabilities (refer note 30)	1.22	3.14
Interest - others	0.10	0.64
Bank charges	0.83	5.21
	162.67	90.60
25 Other expenses		
Payment to auditors (refer note 25(a))	5.20	3.16
Corporate social responsibility ('CSR') expenditure (refer note 37)	-	0.23
Provision for doubtful trade receivables and advances, net (including bad debts written off)	4.30	2.76
Selling and marketing expenses	7.31	12.99
Rates and taxes	3.56	8.17
Software and server charges (refer note 32)	137.09	112.30
Freight charges	1.48	11.17
Directors' sitting fees (refer note 32)	3.40	4.30
Travelling expenses	41.67	21.91
Miscellaneous expenses	26.57	27.86
	230.58	204.85
(a) Payment to auditors (exclusive of goods and services tax)		
As auditor:		
Statutory audit	5.20	2.50
Special purpose audit	-	2.80
	5.20	5.30
Less: Recoverable from the Holding Company	-	(2.14)
	5.20	3.16

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27 Earnings / (Loss) per share (EPS)

Basic EPS is calculated by dividing the loss for the year attributable to equity shareholders of the Company by the weighted average number of equity shares outstanding during the years. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting years. The weighted average number of equity shares outstanding during the years is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split (consolidation of shares) that have changed the number of equity shares outstanding, without a corresponding change in resources.

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

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

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

	For the year ended March 31, 2024	For the year ended March 31, 2023
Face value of equity shares (₹ per share)	2.00	2.00
(Loss) attributable to equity shareholders for basic/diluted EPS (₹ in million) (a)	(523.34)	(900.64)
Weighted average number of equity shares used for computing EPS (basic) (in million) (b)**	56.27	50.04
EPS- Basic (₹) (d=a/b)	(9.30)	(18.00)
EPS- Diluted (₹) (e=a/c)*	(9.30)	(18.00)

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

** Also refer note 13

28 Gratuity and other post-employment benefit plans

I) Defined contribution plan

The Company's contribution to provident fund is considered as defined contribution plans. The contributions are charged to the Standalone Statement of Profit and Loss as they accrue. Contributions to provident fund included in employee benefit expenses (refer note 22) are as under:

	For the year ended March 31, 2024	For the year ended March 31, 2023
Contribution to provident fund	10.78	9.94
Total	10.78	9.94

II) Defined benefit plan

Gratuity

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

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

	March 31, 2024	March 31, 2023
i. Net benefit expenses (recognised in the Standalone Statement of Profit and Loss)		
Current service cost	13.42	11.25
Interest cost on defined benefit obligation	3.72	2.65
Net benefit expenses	17.14	13.90
ii. Remeasurement loss/(gain) recognised in other comprehensive income (OCI):		
Actuarial loss on obligations arising from changes in experience adjustments	3.29	5.89
Actuarial (gain) on obligations arising from changes in financial assumptions	0.77	(0.97)
Actuarial loss recognised in OCI	4.06	4.92
iii. Net defined benefit (liability)		
Defined benefit obligation	(67.50)	(54.14)
Plan (liability)	(67.50)	(54.14)

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

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

	March 31, 2024	March 31, 2023
iv. Changes in the present value of the defined benefit obligation are as follows:		
Opening defined benefit obligation	54.14	40.48
Current service cost	13.42	11.25
Interest cost on defined benefit obligation	3.72	2.65
Benefits paid	(7.84)	(5.16)
Actuarial loss on obligations arising from changes in experience adjustments	3.29	5.89
Actuarial (gain) on obligations arising from changes in financial assumptions	0.77	(0.97)
Closing defined benefit obligation	67.50	54.14

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

Within the next 12 months	13.96	11.50
Between 1 and 2 years	10.68	8.87
Between 2 and 3 years	8.36	6.85
Between 3 and 4 years	6.52	5.32
Between 4 and 5 years	5.12	4.18
Between 6 and 10 years	15.68	13.00
Beyond 10 years	48.37	37.47
Expected cash outflow in future years	108.69	87.19

The average duration of the defined benefit plan obligation at the end of the reporting period is 5.65 years (March 31, 2023: 6.99 years)

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

Discount rate (in %)	7.19%	7.40%
Salary escalation rate (in %)	10.00%	10.00%
Employee turnover/ withdrawal rate	30.00%	30.00%
Retirement age	58	58
Mortality rate	Indian Assured Lives Mortality (2012-14) Ultimate	Indian Assured Lives Mortality (2012-14) Ultimate

Notes:

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

ii) Plan characteristics and associated risks:

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

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

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

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

vii. A quantitative sensitivity analysis for significant assumptions:

	March 31, 2024	March 31, 2023
Discount rate		
Impact on defined benefit obligation due to 1% increase in discount rate	(3.31)	(2.57)
Impact on defined benefit obligation due to 1% decrease in discount rate	3.70	2.86
Salary escalation rate		
Impact on defined benefit obligation due to 1% increase in salary escalation rate	1.96	1.57
Impact on defined benefit obligation due to 1% decrease in salary escalation rate	(1.94)	(1.62)
Attrition rate		
Impact on defined benefit obligation due to 1% increase in attrition rate	(0.31)	(0.23)
Impact on defined benefit obligation due to 1% decrease in attrition rate	0.30	0.21

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

29 Share-based payments

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

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

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

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

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

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

	As on and for the year ended March 31, 2024		As on and for the year ended March 31, 2023	
	No. of options (in millions)	WAEP	No. of options (in millions)	WAEP
Options outstanding - opening balance	3.39	-	2.09	-
Granted during the year	0.05	-	1.30	-
Forfeited/lapsed during the year	-	-	-	-
Buyback during the year	(2.92)	-	-	-
Cancelled during the year	-	-	-	-
Exercised during the year	-	-	-	-
Options outstanding - closing balance	0.52	-	3.39	-
Exercisable at the year end	0.52	-	3.39	-

The options outstanding as at March 31, 2024 had an exercise price of Nil and the weighted average contractual life of 2.57 years

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

	March 31, 2024	March 31, 2023
Dividend yield (%)	0%	0%
Expected volatility (%)	31.76%-86.38%	31.76%-86.38%
Risk-free interest rate (% p.a)	1.43%-2.28%	1.43%-2.28%
Expected life of the option (years)	5-7	5-7
Weighted average share price post DLOM and DLOC	USD 1.23-5.45	USD 1.23-5.45

The Holding Company had granted stock options to employees of the Capillary Technologies India Limited (formerly known as Capillary Technologies India Private Limited) under ESOP plans as detailed in note 30(A) above. The Holding Company has an obligation to settle the transaction with the employees of Capillary Technologies India Limited (formerly known as Capillary Technologies India Private Limited) by providing its own equity shares. Therefore, in accordance with Ind AS 102, the Company had measured its expense in accordance with the requirements applicable to equity settled share-based payment transaction.

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29 Share-based payments (cont'd)

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

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

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

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

Measurement of fair values

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

The following table lists the inputs to the option pricing models for the year ended March 31, 2024 and March 31, 2023 respectively:

	March 31, 2024	March 31, 2023
Dividend yield (%)	0%	0%
Expected volatility (%)	62.40%	62.40%
Risk-free interest rate (% p.a.)	7.12%	7.27%
Expected life of option (years)	5.5	5.57 - 6.25
Weighted average share price as per Pre Discount for Lack of Marketability ("DLOM") & Pre Discount for	₹ 308	₹ 376- ₹ 308
Weighted average share price as per Post DLOM & Post DLOC	₹ 297.25	₹355.96 - ₹ 298.8

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

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

	March 31, 2024		March 31, 2023	
	No. of options (in millions)	WAEP	No. of options (in millions)	WAEP
Options outstanding at the beginning of the year	3.05	0.26	3.74	0.05
Granted during the year	0.16	2.00	0.82	0.73
Forfeited / lapsed during the year	(0.96)	-	(1.49)	-
Cancelled due to buyback during the year	-	-	(0.02)	-
Exercised during the year	(0.57)	-	-	-
Options outstanding at the end of the year	1.68	0.10	3.05	0.26
Exercisable at year end	1.28		-	

The options outstanding as at March 31, 2024 had an weighted average exercise price of ₹ 0.10 (March 31, 2023 had an exercise price of ₹ 0.26) and the weighted average remaining contractual life of 8.22 years (March 31, 2022: 8.68 years).

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Capillary Technologies India Limited**Notes to the Standalone Financial Statements for the year ended March 31, 2024**

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

29 Share-based payments (cont'd)**C Expense recognised in Standalone Statement of Profit and Loss**

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

	<u>March 31, 2024</u>	<u>March 31, 2023</u>
Expense arising from equity settled share based payment transaction of GESP recognised in Employee benefit expenses (refer note 22)	-	-
Expense arising from equity settled share based payment transaction of CESP recognised in Employee benefit expenses (refer note 22)*#	22.46	562.59

* Excludes ₹ 22.71 (March 31 2023: ₹ 34.20) on account of expense arising from equity settled share based payment transaction of CESP recognised in Investments.

Excludes ₹ 10.24 (March 31,2023: ₹ 38.82) on account of expense arising from equity settled share based payment transaction of CESP recognised in internally generated intangible assets

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

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

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Capillary Technologies India Limited

Notes to the Standalone Financial Statements for the year ended March 31, 2024

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

30 Leases

Company as a lessee

The Company has lease contracts for office facility. The lease term of the office facility is around 2 years. The Company also has certain leases of offices with lease terms of 12 months or less or low value. The Company applies the leases of low value assets and short term leases recognition exemptions for these leases.

The Company has lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

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

	Office premises	
	As at	As at
	March 31, 2024	March 31, 2023
Opening balance	12.63	29.47
Additions	38.58	-
Depreciation expenses	(18.69)	(16.84)
Modification of right-of-use assets/other adjustments	(4.39)	-
Closing balance	28.13	12.63

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

Opening balance	14.42	30.72
Additions	38.58	-
Accretion of interest	1.22	3.14
Payments	(20.73)	(19.44)
Modification of lease liabilities	(4.37)	-
Closing balance	29.12	14.42

The same is shown under:

Current	21.11	14.42
Non-current	8.01	-

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

The effective interest rate for lease liabilities are 9.5% (March 31, 2023: 14.35%).

Amounts are recognised in the Standalone Statement of Profit and Loss

	For the year ended	For the year ended
	March 31, 2024	March 31, 2023
Depreciation expense of right-of-use assets	18.69	16.84
Interest expense on lease liabilities	1.22	3.14
	19.91	19.98

Amounts recognised in the Standalone Cash Flow Statement

Total outflow for leases - principal	18.32	16.30
Total outflow for leases - interest	2.41	3.14
	20.73	19.44

31 Contingent liabilities

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

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

	As at	As at
	March 31, 2024	March 31, 2023
Bank guarantees outstanding	3.91	3.91

(i) The Honourable Supreme Court of India in the month of February 2019 had passed a judgement relating to definition of wages under the Provident Fund Act, 1952. The management is of the view that there are interpretative challenges on the application of the judgement retrospectively. In the absence of reliable measurement of the provision for earlier years, the Company has made a provision for provident fund contribution pursuant to the judgement only from the date of Supreme Court Order. The Company will evaluate its position and update its provision, if required, on receiving further clarity on the subject. The Company does not expect any material impact of the same.

Capillary Technologies India Limited

Notes to the Standalone Financial Statements for the year ended March 31, 2024

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

32 Related party disclosures

a) Names of the related parties and description of relationship

Nature of relationship	Name of the party
A) Related parties where control exists	
Holding Company	Capillary Technologies International Pte. Ltd., Singapore
Subsidiary Companies	Capillary Pte Ltd., Singapore Capillary Technologies DMCC, UAE Capillary Technologies (Shanghai) Co. Ltd, China Capillary Technologies (Malaysia) Sdn. Bhd., Malaysia PT Capillary Technologies Indonesia, Indonesia Persuade Holding Inc., USA Capillary Technologies Europe Limited (formerly known as Brierley Europe Limited) (w.e.f. April 1, 2023) Capillary Brierley Inc. (formerly known as Brierley & Partners, Inc) (w.e.f. April 1, 2023) Capillary Technologies Inc,USA (w.e.f. June 22, 2023) Capillary Technologies LLC (formerly known as 'Persuade Loyalty LLC'), USA
B) Related parties under common control	
Fellow subsidiaries	Capillary Technologies Inc., USA (upto June 21, 2023) Reasoning Global eApplications Private Limited, India
C) Key Management Personnel	
Key managerial personnel (KMP)	Mr. Aneesh Reddy Boddu, Executive director and Chief Executive Officer (upto December 31, 2022) and Managing Director (w.e.f. January 01, 2023) Mr. Sameer Garde, (Independent Director till December 31 2022) Executive Director and Chief Executive Officer (w.e.f. January 01, 2023 till March 31,2024) Mr. Anant Choubey, Executive Director, Chief Operating Officer and Chief Financial Officer (w.e.f. September 02, 2022) Mr. Venkat Ramana Tadanki, Independent Director Mrs. Neelam Dhawan, Independent Director Mrs. Yamini Preethi Natti, Independent Director Mr. Farid Lalji Kazani, Independent Director Mr. Mahendra Chordia, Chief Financial Officer (w.e.f. August 31, 2021 and resigned w.e.f. May 13, 2022) Mrs. G. Bhargavi Reddy, Company Secretary
D) Other related parties where transactions have taken place	
Private company in which a director, manager, or relative is a member or director	Ms Biotech Private Limited
Relative of KMP	Mr. Mohan Reddy Boddu, Relative Mr. Aditya Reddy Boddu, Relative Ms. Pavani Reddy Boddu, Relative Mr. Alok Choubey, Relative Mr. Satish Kumar Choubey, Relative Ms. Janaki Munjuluri Rao, Relative

Capillary Technologies India Limited
Notes to the Standalone Financial Statements for the year ended March 31, 2024
(All amounts in Indian Rupees (₹) millions, unless otherwise stated)

32 Related party disclosures (contd.)

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

Particulars	March 31, 2024	March 31, 2023
1) Transactions during the year		
a) Service income from group companies		
Capillary Pte Ltd., Singapore*	656.36	632.50
b) Interest on borrowings		
Capillary Technologies International Pte. Ltd., Singapore	11.92	19.19
Ms Biotech Private Limited	0.51	4.93
c) Expenditure incurred on behalf of the Company by others		
Capillary Pte Ltd., Singapore	161.66	146.48
Capillary Technologies DMCC, UAE	14.07	3.78
d) Expenditure incurred by the Company on behalf of others		
Capillary Technologies International Pte. Ltd., Singapore	0.41	14.33
Reasoning Global eApplications Private Limited, India	-	0.12
Capillary Brierley Inc	4.04	-
Capillary Technologies Europe Limited	34.51	-
Capillary Technologies LLC, USA	98.89	7.61
Capillary Pte Ltd., Singapore		0.35
e) Directors' sitting fees		
Mr. Venkat Ramana Tadanki	0.90	0.90
Mrs. Neelam Dhawan	1.00	1.20
Mr. Sameer Garde	-	0.60
Mrs. Yamini Preethi Natti	0.70	0.60
Mr. Farid Lalji Kazani	0.80	1.00
f) Investment in unquoted equity shares		
Capillary Pte Ltd., Singapore	856.44	331.57
g) Advance towards investment in subsidiary		
Capillary Pte Ltd., Singapore	-	659.28
h) Capital contribution in subsidiaries		
Capillary Technologies DMCC, UAE	2.51	9.95
Capillary Technologies (Malaysia) Sdn. Bhd., Malaysia	3.17	12.83
Capillary Brierley Inc	11.69	-
Capillary Technologies Europe Limited	5.69	-
PT Capillary Technologies Indonesia	(0.06)	2.09
Capillary Pte Limited., Singapore	(0.57)	0.51
Capillary Technologies LLC, USA	0.28	10.17
i) Issuance of equity shares (including securities premium)		
Capillary Technologies International Pte. Ltd., Singapore	573.52	-
Mr. Mohan Reddy Boddu	-	0.02
Mr. Anant Choubey	8.66	0.02
Mr. Aditya Reddy Boddu	-	0.01
Mr. Mahendra Chordia	-	0.01
Mr. Sameer Garde	1.42	0.00
Mr. Satish Kumar Choubey	-	0.01
Mr. Aneesh Reddy Boddu	136.19	-
j) Borrowing from a private company in which a director or relative is member or director		
Ms Biotech Private Limited	-	100.00
k) Repayment of loan to a private company in which a director or relative is member or director		
Ms Biotech Private Limited	50.00	50.00

32 Related party disclosures (contd.)

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

1) Transactions during the year

Particulars	March 31, 2024	March 31, 2023
l) Purchase of IP		
Capillary Pte Ltd., Singapore	-	344.90
m) Loan from director		
Mr. Aneesh Reddy Boddu	-	50.00
n) Repayment of loan to director		
Mr. Aneesh Reddy Boddu	-	50.00
o) Other non-operating income		
Capillary Technologies International Pte. Ltd., Singapore	16.58	9.19
p) Professional and consultancy expenses		
Mr. Sameer Garde	-	4.91
q) Remuneration to key managerial personnel and their relatives (including employee stock option expenses)		
Mr. Anant Choubey	16.87	72.73
Mr. Aneesh Reddy Boddu	133.61	240.21
Mr Mahendra Chordia	-	2.16
Mrs. G Bhargavi Reddy	5.50	4.98
Mr. Sameer Garde	11.17	10.57

* Services income from Capillary Pte. Ltd, Singapore includes income form other group companies also as the invoicing and settlement mechanism shall be centrally routed via Capillary Pte. Ltd, Singapore

2) Outstanding balances as at year end

Particulars	As at March 31, 2024	As at March 31, 2023
a) Trade receivables		
Capillary Pte Ltd., Singapore (including unbilled revenue of ₹ 128.94 and March 31, 2023: ₹ Nil)	280.15	614.49
b) Contract liabilities - Deferred revenue		
Capillary Pte Ltd., Singapore	-	161.57
c) Other receivables from related parties		
Capillary Pte Ltd., Singapore	-	11.90
Capillary Technologies International Pte. Ltd., Singapore	-	137.48
Capillary Technologies LLC	80.06	7.44
Capillary Brierley Inc	3.28	-
Reasoning Global Eapplications P Ltd	0.15	0.12
d) External commercial borrowings (including interest accrued)		
Capillary Technologies International Pte. Ltd., Singapore	-	179.22
e) Unsecured loan from body corporate		
Ms Biotech Private Limited	-	50.48
f) Trade payables		
Capillary Pte Ltd., Singapore	53.31	240.93
Capillary Technologies DMCC, UAE	8.30	4.08
Capillary Technologies Europe Limited	14.73	-
g) Other financial liabilities		
Capillary Pte Ltd., Singapore	-	344.90
h) Corporate guarantees taken from the Holding Company		
Capillary Technologies International Pte. Ltd., Singapore	352.48	805.00

32 Related party disclosures (contd.)

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

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

Share based payments plan	Exercise price	Number Outstanding (in Million)	
		March 31, 2024	March 31, 2023
General Employee Share Option Plan (GESP) of the Holding Company	-	-	-
Capillary Employees Stock Option Scheme' - 2021 ('CESP')	-	1.23	1.65

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

Notes:-

1. The transactions with related parties are made by the Company on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year end are unsecured and settlement occurs in cash.
2. As the liability for gratuity and leave encashment is provided on an actuarial basis for the Company as a whole, the amount pertaining to remuneration to the key managerial personnel are not ascertainable and, therefore, not disclosed above.
3. In respect of the transactions with the related parties, the Company has complied with the provisions of Section 188 and Section 177 of the Companies Act, 2013 where applicable, and the details have been disclosed above, as required by the applicable accounting standards.
4. Refer note 15 for borrowings with regard to securities given by the Holding Company for the loan facility availed by the Company.
5. The above information has been determined to the extent such parties have been identified on the basis of information available with the Company.

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

Basis of identifying operating segments/reportable segments

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

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

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

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Capillary Technologies India Limited

Notes to the Standalone Financial Statements for the year ended March 31, 2024

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

34 Financial instruments

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

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

(a) Financial assets and liabilities

The management assessed that cash and bank balances, trade receivables, trade payables, and other current financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. Non-current financial assets and liabilities are discounted using an appropriate discounting rate where the time value of money is material. There are no financial instruments which are measured at fair value through other comprehensive income as at March 31, 2024 and March 31, 2023.

The following tables presents the carrying value and fair value of each category of financial assets and liabilities as at March 31, 2024 and March 31,

As at March 31, 2024	Carrying value	Level 1	Level 2	Level 3	Total
Financial assets					
(i) Investments	3,563.18	-	699.25		699.25
(ii) Trade receivables	433.26	-	-	-	-
(iii) Cash and cash equivalents	603.53	-	-	-	-
(iv) Loans receivable	399.99	-	-	-	-
(v) Other financial assets	226.85	-	-	-	-
Total	5,226.81	-	699.25	-	699.25
Financial liabilities					
(i) Borrowings	757.76	-	-	-	-
(ii) Trade payables	271.82	-	-	-	-
(iii) Lease liabilities	29.12	-	-	-	-
(iv) Other financial liabilities	72.31	-	-	-	-
Total	1,131.01	-	-	-	-
As at March 31, 2023					
	Carrying value	Level 1	Level 2	Level 3	Total
Financial assets					
(i) Investments	1,325.50	-	-	-	-
(ii) Trade receivables	801.82	-	-	-	-
(iii) Cash and cash equivalents	419.74	-	-	-	-
(iv) Loans receivable	-	-	-	-	-
(v) Other financial assets	279.83	-	-	-	-
Total	2,826.89	-	-	-	-
Financial liabilities					
(i) Borrowings	1,336.80	-	-	-	-
(ii) Trade payables	474.01	-	-	-	-
(iii) Lease liabilities	14.42	-	-	-	-
(iv) Other financial liabilities	406.76	-	-	-	-
Total	2,231.99	-	-	-	-

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34 Financial instruments (cont'd)

(b) Fair Value Hierarchy

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

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

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

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

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

(iii) There have been no transfers between Level 1, Level 2 and Level 3 for the period ended March 31, 2024 and March 31, 2023.

(c) Financial risk management objectives and policies

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

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

(i) create a stable business planning environment by reducing the impact of currency and interest rate fluctuations on the Company's business plan.

(ii) achieve greater predictability to earnings by determining the financial value of the expected earnings in advance.

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34 Financial instruments (Cont'd)

Market risk

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

(1) Market risk- Interest rate risk

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

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

	March 31, 2024	March 31, 2023
Fixed rate instruments:		
Financial liabilities	352.48	881.21
Variable rate instruments:		
Financial liabilities	405.28	455.59

Interest rate sensitivity

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

	Increase/ decrease in basis points	March 31, 2024	March 31, 2023
Interest rate fluctuation	+50	(2.03)	(2.28)
Interest rate fluctuation	-50	2.03	2.28

(2) Market risk- Foreign currency risk

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

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

Particulars	March 31, 2024		March 31, 2023	
	Amount in USD (in million)	Amount in ₹ (in million)	Amount in USD (in million)	Amount in ₹ (in million)
Financial assets				
Trade receivables (including Unbilled revenue/Unearned revenue)	3.36	280.15	7.48	614.49
Other receivables from related parties	1.00	83.50	1.91	156.94
Financial liabilities				
Borrowings (including interest accrued on ECB)	-	-	2.18	179.22
Payable towards capital expenditure	-	-	4.20	344.90
Trade payables	0.92	76.34	2.98	245.01

Foreign currency sensitivity

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

Particulars	Change in currency	Effect on profit or loss before tax	
		Strengthening	Weakening
March 31, 2024			
USD	5%	14.37	(14.37)
March 31, 2023			
USD	5%	0.11	(0.11)

The sensitivity analysis has been based on the composition of the Company's financial assets and liabilities at March 31, 2024 and March 31, 2023. The year end balances are not necessarily representative of the average debt outstanding during the year.

34 Financial instruments (Cont'd)

(ii) Credit risk

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

The carrying value of financial assets represents the maximum credit risk. The maximum exposure to credit risk was ₹ 5,226.81 (March 31, 2023: ₹ 2,826.89), being the total carrying value of investments, trade receivables, loans receivable, cash and cash equivalents, bank balances and other financial assets of the Company.

Customer credit risk is managed based on the Company's established policy, procedures and control relating to customer credit risk management. An impairment analysis is performed at each reporting date on an individual basis for major customers. The Company does not hold collateral as security. Further, the trade receivable from subsidiary company constitutes approximately 64% of trade receivables as at March 31, 2024 (March 31, 2023: approximately 77%)

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

Refer note 9.1 for movement in expected credit loss for the years ended March 31, 2024 and March 31, 2023.

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

(iii) Liquidity risk

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

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

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

Particulars	0 - 1 years	1 to 5 years	> 5 years	Total
March 31, 2024				
Borrowings (refer note 1)	734.59	29.92	-	764.51
Lease liabilities	21.15	9.93	-	31.08
Trade payables	271.82	-	-	271.82
Other financial liabilities	72.31	-	-	72.31
	1,099.87	39.85	-	1,139.72
March 31, 2023				
Borrowings (refer note 1)	900.50	413.52	-	1,314.02
Lease liabilities	15.12	-	-	15.12
Trade payables	474.01	-	-	474.01
Other financial liabilities	406.76	-	-	406.76
	1,796.39	413.52	-	2,209.91

Notes:

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

Capillary Technologies India Limited**Notes to the Standalone Financial Statements for the year ended March 31, 2024**

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

35 Capital management

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

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

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

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

Particulars	March 31, 2024	March 31, 2023
Borrowings (refer note 15)	757.76	1,336.80
Less: Cash and cash equivalents (refer note 10)	(603.53)	(419.74)
Total debts (A)	154.23	917.06
Equity share capital (refer note 13)	146.46	105.79
Other equity (refer note 14)	4,508.07	1,944.56
Total capital (B)	4,654.53	2,050.35
Capital and borrowings C= (A+B)	4,808.76	2,967.41
Gearing ratio (%) D= (A/C)	3.21%	30.90%

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

No changes were made in the objectives, policies or processes for managing capital during the period and year ended March 31, 2024 and March 31, 2023 respectively.

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Capillary Technologies India Limited

Notes to the Standalone Financial Statements for the year ended March 31, 2024

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

36 Ratio analysis

Ratio	Numerator	Denominator	March 31, 2024	March 31, 2023	Variance	Reason
(i) Current ratio	Current assets	Current liabilities	1.95	0.95	105%	Refer note (a) below
(ii) Debt-equity ratio	Total borrowings	Total equity	0.16	0.65	-75%	Refer note (b) below
(iii) Debt service coverage ratio	Earnings for debt service = Net profit after taxes + Non-cash operating expenses + Finance costs	Debt service = Finance costs and Lease Payments + Principal Repayments of borrowings	(0.20)	(2.54)	(92.13%)	Refer note (c) below
(iv) Return on equity ratio	Net profit after taxes	Average total equity	(15.61%)	(50.70%)	(69.21%)	Refer note (c) below
(v) Trade receivable turnover ratio	Revenue from operations	Average trade receivables	2.31	1.54	50.00%	Refer note (d) below
(vi) Trade payables turnover ratio	Cost of campaign services + Professional and consultancy services and other expenses	Average trade payables	1.86	1.69	10.06%	Not applicable
(vii) Net capital turnover ratio	Revenue from operations	Working capital = Current assets - Current liabilities	1.28	(15.42)	(108.30%)	Refer note (a) below
(viii) Net profit ratio	Net profit after tax	Revenue from operations	(36.71%)	(59.99%)	(38.82%)	Refer note (c) below
(ix) Return on capital employed	Earnings before interest and taxes	Capital Employed = Tangible Net Worth + Total Borrowings + Total Lease Liabilities	(7.36%)	(26.98%)	(72.74%)	Refer note (c) below
(x) Return on investment	Income generated from invested funds	Average invested funds in treasury investments	8%	5%	68.19%	Refer note (e) below

Notes:

- (a) Due to repayment of borrowings and payment of intercompany payables during the year. Further there is no unearned revenue in respect of intercompany services for the current year.
- (b) The increase is due to the capital raised coupled with the repayment of borrowings during the year.
- (c) Due to losses during the year
- (d) Due to decrease in debtor days
- (e) Due to movement in investment
- (f) Inventory turnover ratio is not applicable to the Company

37 Corporate Social Responsibility ('CSR') expenses

	March 31, 2024	March 31, 2023
(i) amount required to be spent by the Company during the year	-	0.21
(ii) amount of expenditure incurred	-	0.23
(iii) shortfall/(excess) at the end of the year	-	(0.02)
(iv) total of previous year's shortfall	-	-
(v) related party transactions	-	-
(vi) movements in provisions for liability created	-	-
(vii) reasons for shortfall	-	-
(viii) nature of CSR activities	Contribution to education and skill development facilities	

Capillary Technologies India Limited

Notes to the Standalone Financial Statements for the year ended March 31, 2024

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

38 Business Combinations during year:

A. Acquisitions during the year

1. On March 31, 2023, Capillary Technologies LLC (subsidiary of Capillary Pte. Ltd, wholly owned subsidiary of the Company) executed a Stock Purchase Agreement with Nomura Research Institute Holdings America, Inc. and Brierley & Partners, Inc for acquisition of 100% membership interest and shareholding of Capillary Brierley Inc (formerly known as Brierley & Partners, Inc) w.e.f. April 1, 2023. Brierley & Partners, Inc was the holder of all the issued and outstanding equity interests of Brierley Europe Limited). On March 31, 2023, Capillary Pte. Ltd. executed a Share Purchase Agreement with Brierley & Partner, Inc for acquisition of 100% membership interest and shareholding of Capillary Technologies Europe Limited (formerly known as Brierley Europe Limited) w.e.f. April 1, 2023.

B. Asset purchase during the year

The Asset Purchase Agreement (Global APA) was signed between TENERITY LLC (Seller) and Capillary Pte Ltd on May 4, 2023, for the sale of certain identified assets to CPL. On the closing date, i.e., June 1, 2023, the identified asset purchase was completed. The global APA also provided for affiliates of TENERITY to sell certain identified assets to CPL and its affiliates.

With the understanding set out in the Global APA, Capillary Technologies India Limited (Parent company of CPL) and TENERITY India Private Limited (wholly owned subsidiary of TENERITY LLC, USA) entered into an agreement on June 1, 2023 (Closing date) for purchase from the Seller, the identified Assets on an itemized sale basis.

- 39** The Ministry of Corporate Affairs (MCA) has prescribed a new requirement for companies under the proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 inserted by the Companies (Accounts) Amendment Rules, 2021 requiring companies, which uses accounting software for maintaining its books of account, shall use only such accounting software which has a feature of recording audit trail of each and every transaction, creating an edit log of each change made in the books of account along with the date when such changes were made and ensuring that the audit trail cannot be disabled.

The Company has used accounting software operated by third-party service providers for maintenance of accounting and payroll records which have a feature of recording audit trail (edit log) facility and the same have operated throughout the year at application level for all relevant transactions recorded in the software.

The Company has obtained the 'Independent Service Auditor's Assurance Reports on the Description of Controls, their Design and Operating Effectiveness' ('Type 2 report' issued in accordance with ISAE 3402, Assurance Reports on Controls at a Service Organization and ISAE 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information) for the year ended March 31, 2024. Both the reports do not provide information on availability of audit trail at database level.

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Capillary Technologies India Limited

Notes to the Standalone Financial Statements for the year ended March 31, 2024

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

40 Other statutory information:

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

Name of the Intermediaries to which funds are advanced	Date of funds advanced	Amount of funds advanced	Date on which funds are invested by Intermediaries to the Ultimate Beneficiaries	Amount of funds further advanced to Ultimate Beneficiaries	Ultimate Beneficiaries
For the year ended March 31, 2023					
Capillary Pte. Ltd., Singapore	March 29, 2023	659.28	March 31, 2023	659.28	Refer note (a) below
For the year ended March 31, 2024					
Capillary Pte. Ltd., Singapore	April 05, 2023	208.35	April 06, 2023	208.35	Refer note (b) below
	August 21, 2023	41.67	August 22, 2023	41.67	Refer note (c) below
	December 27, 2023	41.61	December 28, 2023	41.61	Refer note (d) below

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

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

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

Note (b) - Capillary Pte. Ltd., has invested in the shares of Capillary Technologies LLC, USA on April 06, 2023.

Note (c) - Capillary Pte. Ltd., has invested in the shares of Capillary Technologies Europe Limited, on August 22, 2023.

Note (d) - Capillary Pte. Ltd., has invested in the shares of Capillary Technologies DMCC, on December 28, 2023.

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

Name of the Company who has advanced the funds	Date of funds received	Amount of funds received	Date on which funds are further advanced to other intermediary	Amount of funds further advanced to other intermediary	Other
For the year ended March 31, 2023					
Avataar Holdings	March 29, 2023	820.60	March 29, 2023	659.28	Capillary Pte. Ltd. And Capillary Technologies LLC (Refer note (a) above)
Gameberry Labs Private Limited	November 29, 2022	250.00	December 02, 2022	230.06	Capillary Pte. Ltd.
For the year ended March 31, 2024					
M/s Innoven triple blue capital advisors	March 31, 2023	200.00	April 05, 2023	200.00	Capillary Pte. Ltd.

Complete details of the Intermediaries and Funding Parties:

Name of the entity	Registered address	Government	Relationship with
Capillary Pte. Ltd. (Intermediary)	68, Circular Road, # 02-01, Singapore - 049422	202125294W	Subsidiary
Capillary Technologies LLC (Intermediary)	222 N 2ND St Ste 200 Minneapolis, MN, 55401-1494 United States	710149300022	Subsidiary
Avataar Holdings (Funding Party)	Lot 15 A3, 1st Floor, Cybercity, Ebene 72201, Mauritius	177534	Shareholder of the Company
M/s Innoven triple blue capital advisors LLP (Funding Party)	A/ 805A, The Capital, G- Block, Bandra Kurla Complex, Behind ICICI Bank, Plot C-70, Bandra, Maharashtra - 400051	AAM-6580	Lender

Capillary Technologies India Limited

Notes to the Standalone Financial Statements for the year ended March 31, 2024

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

40 Other statutory information (cont'd)

(iii) The Company has no such transaction which is not recorded in the books of account that has been surrendered or disclosed as income during the period in the tax assessments under the Income-tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income-tax Act, 1961).

(iv) The Company does not have any Benami property, where any proceeding has been initiated or pending against the Company for holding any Benami property under the Benami Transactions (Prohibition) Act, 1988 and rules made thereunder.

(v) The Company does not have any transactions with companies struck off during the year.

(vi) The Company does not have any charges or satisfaction which is yet to be registered with Registrar of Companies beyond the statutory period other than those disclosed in note 15.

(vii) The Company has not traded or invested in Crypto currency or Virtual Currency during the year ended March 31, 2024 and March 31, 2023.

41 The Company is in the process of conducting a transfer pricing study as required by the transfer pricing regulations under the Income Tax Act 1961 ('regulations') to determine whether the transactions entered during the year ended March 31, 2024 with the associated enterprises were undertaken at "arm's length price". The management confirms that all the transactions with associate enterprises are undertaken at negotiated prices on usual commercial terms and is confident that the aforesaid regulations will not have any impact on the Standalone Financial Statements, particularly on the amount of tax expense and that of provision for taxation.

42 Prior year amounts have been regrouped / reclassified wherever necessary, to confirm to the presentation in the current year, which are not material.

As per our report of even date.

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

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

Aasheesh Arjun Singh
Partner
Membership No: 210122

Aneesh Reddy
Managing Director and CEO
DIN: 02214511

Anant Choubey
Executive Director, COO & CFO
DIN: 06536413

Place: Bengaluru, India
Date: June 14, 2024

Place: Bengaluru, India
Date: June 14, 2024

G. Bhargavi Reddy
Company Secretary
Membership No: - A17091

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Independent Auditor's Report

To the Members of Capillary Technologies India Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

1. We have audited the accompanying consolidated financial statements of Capillary Technologies India Limited ('the Holding Company') and its subsidiaries (the Holding Company and its subsidiaries together referred to as 'the Group'), as listed in Annexure I, which comprise the Consolidated Balance Sheet as at March 31, 2024, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Cash Flows Statement, the Consolidated Statement of Changes in Equity for the year then ended, and notes to the consolidated financial statements, including a material accounting policy information and other explanatory information.
2. In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on the separate financial statements and on the other financial information of the subsidiaries the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ('the Act') in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards ('Ind AS') specified under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, and other accounting principles generally accepted in India of the consolidated state of affairs of the Group, as at March 31, 2024, their consolidated loss (including other comprehensive income), consolidated cash flows and the consolidated changes in equity for the year ended on that date.

Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the consolidated financial statements under the provisions of the Act and the rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained together with the audit evidence obtained by the other auditors in terms of their reports referred to in paragraph 11 of the Other Matters section below, is sufficient and appropriate to provide a basis for our opinion.

Walker Chandniok & Co LLP

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

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

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

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

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

8. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.
9. As part of an audit in accordance with Standards on Auditing specified under Section 143(10) of the Act we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
 - Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act we are also responsible for expressing our opinion on whether the Holding Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls;
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
 - Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
 - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
 - Obtain sufficient appropriate audit evidence regarding the financial information/ financial statements of the entities or business activities within the Group, to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of financial statements of such entities included in the financial statements, of which we are the independent auditors. For the other entities included in the financial statements, which have been audited by the other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.
10. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Other Matter

11. We did not audit the financial statements of two subsidiaries, whose financial statements reflect total assets of ₹37.95 million as at March 31, 2024, total revenues of ₹118.50 million and net cash outflows amounting to ₹1.24 million for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, are based solely on the reports of the other auditors.

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

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

12. We did not audit the financial information of one subsidiary, whose financial information reflects total assets of ₹1.15 million as at March 31, 2024, total revenues of nil and net cash outflows amounting to ₹3.17 million for the year ended on that date, as considered in the consolidated financial statements. This financial information is unaudited and has been furnished to us by the management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of the aforesaid subsidiary, is based solely on such unaudited financial information. In our opinion and according to the information and explanations given to us by the management, this financial information is not material to the Group.

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

Report on Other Legal and Regulatory Requirements

13. As required by Section 197(16) of the Act based on our audit, we report that the Holding Company has paid remuneration to their respective directors during the year in accordance with the provisions of and limits laid down under Section 197 read with Schedule V to the Act.
14. As required by clause (xxi) of paragraph 3 of Companies (Auditor's Report) Order, 2020 ('the Order') issued by the Central Government of India in terms of Section 143(11) of the Act, based on the consideration of the Order reports issued till date by us of the Holding Company, we report that there are no qualifications or adverse remarks reported in the Order reports of Holding Company.
15. As required by Section 143(3) of the Act, based on our audit, we report, to the extent applicable, that:
- We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated financial statements;

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- b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books, except for the matters stated in paragraph 15(h)(vi) below on reporting under Rule 11(g) of the Companies (Audit and Auditors) Rules, 2014 (as amended). Further, the back-up of the books of accounts and other books and papers of the Company maintained in electronic mode has not been maintained on servers physically located in India, on a daily basis by the Holding Company;
- c) The consolidated financial statements dealt with by this report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;
- d) In our opinion, the aforesaid consolidated financial statements comply with Ind AS specified under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015;
- e) On the basis of the written representations received from the directors of the Holding Company, and taken on record by the Board of Directors of the Holding Company covered under the Act, none of the directors of the Group companies, are disqualified as on March 31, 2024 from being appointed as a director in terms of Section 164(2) of the Act.
- f) The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in paragraph 13(b) above on reporting under Section 143(3)(b) of the Act and paragraph 15(h)(vi) below on reporting under Rule 11(g) of the Companies (Audit and Auditors) Rules, 2014 (as amended);
- g) With respect to the adequacy of the internal financial controls with reference to consolidated financial statements of the Holding Company, covered under the Act, and the operating effectiveness of such controls, refer to our separate report in 'Annexure II' wherein we have expressed an unmodified opinion; and
- h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us:
 - i. There were no pending litigations as at March 31, 2024 which would impact the consolidated financial position of the Group;
 - ii. The Holding Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses as at March, 31 2024;
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company, covered under the Act, during the year ended March 31, 2024;
 - iv.
 - a. The managements of the Holding Company whose financial statements have been audited under the Act have represented to us that , to the best of their knowledge and belief, other than as disclosed in Note 41 to the consolidated financial statements, no funds have been advanced or loaned or invested (either from borrowed funds or securities premium or any other sources or kind of funds) by the Holding Company or its subsidiaries to or in any persons or entities, including foreign entities ('the intermediaries'), with the understanding, whether recorded in writing or otherwise, that the intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Holding Company, or any such subsidiaries ('the Ultimate Beneficiaries') or provide any guarantee, security or the like on behalf the Ultimate Beneficiaries;

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- b. The managements of the Holding Company whose financial statements have been audited under the Act have represented to us that, to the best of their knowledge and belief, other than as disclosed in the Note 41 to the accompanying consolidated financial statements, no funds have been received by the Holding Company or its subsidiaries, from any persons or entities, including foreign entities ('the Funding Parties'), with the understanding, whether recorded in writing or otherwise, that the Holding Company, or any such subsidiaries shall, whether directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ('Ultimate Beneficiaries') or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and
- c. Based on such audit procedures performed by us, as considered reasonable and appropriate in the circumstances, nothing has come to our or other auditors' notice that has caused us or the other auditors to believe that the management representations under sub-clauses (a) and (b) above contain any material misstatement.
- v. The Holding Company have not declared or paid any dividend during the year ended March 31, 2024
- vi. As stated in Note 38 to the consolidated financial statements and based on our examination which included test checks, except for the instance mentioned below, the Holding Company, in respect of financial year commencing on 01 April, 2023, has used accounting software for maintaining its book of account which have a feature of recording audit trail (edit log) facility and the same have been operated throughout the year for all relevant transactions recorded in the software. Further, during the course of our audit we did not come across any instance of audit trail feature being tampered with, other than the consequential impact of the exception given below:

The Holding Company has used accounting software operated by third-party service providers for the maintenance of accounting and payroll records. In the absence of any information on the existence of audit trail (edit logs) for any direct changes made at the database level in the 'Independent Service Auditor's Assurance Reports on the Description of Controls, their Design and Operating Effectiveness' ['Type 2 report' issued in accordance with ISAE 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information) and ISAE 3402, Assurance Reports on Controls at a Service Organization], we are unable to comment on whether the audit trail feature with respect to the database of the these software were enabled and operated throughout the year.

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

Aasheesh Arjun Singh
Partner
Membership No.: 210122
UDIN: 24210122BKEWLL7894

Bengaluru
June 14, 2024

Walker Chandniok & Co LLP

Annexure I

List of entities consolidated in the Consolidated Financial Statements of Capillary Technologies India Limited for the year ended March 31, 2024

Entity	Country of Incorporation	Relationship
Capillary Pte. Ltd.	Singapore	Subsidiary
Capillary Technologies DMCC	Dubai, United Arab Emirates	Step down subsidiary
Capillary Technologies LLC (formerly known as Persuade Loyalty LLC)	United States of America	Step down subsidiary
Capillary Technologies Inc, USA	United States of America	Step down subsidiary
Capillary Technologies Europe Limited (formerly known as Brierley Europe Ltd)	United Kingdom	Step down subsidiary
Capillary Brierley Inc, USA (formerly known as Brierley and Partners Inc)	United States of America	Step down subsidiary
Capillary Technologies (Shanghai) Co. Ltd	China	Step down subsidiary
PT Capillary Technologies Indonesia	Indonesia	Step down subsidiary
Capillary Technologies (Malaysia) Sdn. Bhd.	Malaysia	Step down subsidiary

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Annexure II to the Independent Auditor's Report of even date to the members of Capillary Technologies India Limited on the consolidated financial statements for the year ended March 31, 2024

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

1. In conjunction with our audit of the consolidated financial statements of Capillary Technologies India Limited ('the Holding Company') and its subsidiaries (the Holding Company and its subsidiaries together referred to as 'the Group'), as at and for the year ended March 31, 2024, we have audited the internal financial controls with reference to financial statements of the Holding Company, as at that date.

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

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

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

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

Walker Chandniok & Co LLP

Annexure II to the Independent Auditor's Report of even date to the members of Capillary Technologies India Limited on the consolidated financial statements for the year ended March 31, 2024

Meaning of Internal Financial Controls with Reference to Consolidated Financial Statements

6. A company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to financial statements include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls with Reference to Consolidated Financial Statements

7. Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion the Holding Company which is a Company covered under the Act, have in all material respects, adequate internal financial controls with reference to financial statements and such controls were operating effectively as at March 31, 2024, based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

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

Aasheesh Arjun Singh
Partner
Membership No.: 210122
UDIN: 24210122BKEWLL7894

Bengaluru
June 14, 2024

Capillary Technologies India Limited
Consolidated Balance Sheet as at March 31, 2024
(All amounts in Indian Rupees (₹) millions, unless otherwise stated)

	Note	As at March 31, 2024	As at March 31, 2023
I ASSETS			
(1) Non-current assets			
(a) Property, plant and equipment	3	26.00	22.56
(b) Goodwill	4, 37	1,632.21	1,472.72
(c) Intangible assets	4	1,097.55	516.06
(d) Right-of-use assets	31	30.13	18.07
(e) Intangible assets under development	4	31.10	54.97
(f) Financial assets			
(i) Other financial assets	6	144.79	115.69
(g) Non-current tax assets	5A	43.06	50.53
(h) Deferred tax assets	16 A	6.83	-
(i) Other non-current assets	11	16.52	707.26
		3,028.19	2,957.86
(2) Current assets			
(a) Financial assets			
(i) Investments	7	699.25	-
(ii) Trade receivables	8	2,368.67	801.11
(iii) Cash and cash equivalents	9	1,806.68	462.00
(iv) Loan receivables	10	399.99	-
(v) Other financial assets	6	27.70	159.07
(b) Other current assets	11	154.43	76.08
		5,456.72	1,498.26
Total assets (1+2)		8,484.91	4,456.12
II EQUITY AND LIABILITIES			
(1) Equity			
(a) Equity share capital	12	146.46	105.79
(b) Other equity	13	5,019.64	1,558.64
Total equity		5,166.10	1,664.43
(2) Non-current liabilities			
(a) Financial liabilities			
(i) Borrowings	14	41.69	432.06
(ii) Lease liabilities	31	8.01	2.10
(iii) Other financial liabilities	17	18.53	18.53
(b) Provisions	15	66.11	43.24
(c) Deferred tax liabilities	16 B	92.64	55.15
		226.98	551.08
(3) Current liabilities			
(a) Financial liabilities			
(i) Borrowings	14	729.97	1,042.65
(ii) Lease liabilities	31	23.42	17.94
(iii) Trade payables		-	-
(a) total outstanding dues of micro enterprises and small enterprises	19	73.95	28.77
(b) total outstanding dues of creditors other than micro enterprises and small enterprises	19	654.31	559.80
(iv) Other financial liabilities	17	204.83	130.26
(b) Other current liabilities	18	1,362.02	428.21
(c) Provisions	15	19.33	31.95
(d) Liabilities for current tax	5B	24.00	1.03
		3,091.83	2,240.61
Total liabilities (2+3)		3,318.81	2,791.69
Total equity and liabilities (1+2+3)		8,484.91	4,456.12
Summary of material accounting policies	2.3		

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

As per our report of even date

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

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

Aasheesh Arjun Singh
Partner
Membership No: 210122
Place: Bengaluru, India
Date: June 14, 2024

Aneesh Reddy Boddu
Managing Director and CEO
DIN: 02214511

Anant Choubey
Executive Director, COO & CFO
DIN: 06536413

G. Bhargavi Reddy
Company Secretary
Membership Number - A17091
Place: Bengaluru, India
Date: June 14, 2024

Capillary Technologies India Limited
Consolidated Statement of Profit and Loss for the year ended March 31, 2024
(All amounts in Indian Rupees (₹) millions, unless otherwise stated)

	Note	For the year ended March 31, 2024	For the year ended March 31, 2023
I Income			
Revenue from operations	20	5,902.45	3,226.81
Other income	21	103.40	108.81
Total income		6,005.85	3,335.62
II Expenses			
Cost of campaign services		417.03	482.86
Professional and consultancy expenses		919.23	418.22
Employee benefit expense	22	3,108.90	2,331.22
Finance costs	23	177.08	112.39
Depreciation and amortisation expenses	24	582.19	395.68
Other expenses	25	1,440.44	636.34
Total expenses		6,644.87	4,376.71
III Loss before exceptional items and tax (I - II)		(639.02)	(1,041.09)
IV Exceptional items (net)	26	-	113.82
V Loss before tax (III + IV)		(639.02)	(927.27)
VI Tax expenses			
(a) Current tax	27	25.78	(4.01)
(b) Deferred tax expense/(Credit)	27	(71.02)	(46.07)
Total tax credit		(45.24)	(50.08)
VII Loss for the year (V - VI)		(593.78)	(877.19)
VIII Other comprehensive income/(loss)			
Items that will be reclassified to profit or loss in subsequent periods:			
(i) Exchange differences on translation of foreign operations		41.72	(61.16)
Items that will not to be reclassified to profit or loss in subsequent periods:			
(i) Re-measurement (losses) on defined benefit plan		(4.06)	(4.92)
Total other comprehensive income/ (loss) for the period (net of tax)		37.66	(66.08)
IX Total comprehensive loss for the period (net of tax) (VII + VIII)		(556.12)	(943.27)
X Loss per equity share (EPS) (face value - ₹ 2 each)			
Basic (₹)	28	(10.55)	(17.53)
Diluted (₹)	28	(10.55)	(17.53)
Summary of material accounting policies	2.3		

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

As per our report of even date

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

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

Aasheesh Arjun Singh
Partner
Membership No: 210122

Aneesh Reddy Boddu
Managing Director and CEO
DIN: 02214511

Anant Choubey
Executive Director, COO & CFO
DIN: 06536413

Place: Bengaluru, India
Date: June 14, 2024

G. Bhargavi Reddy
Company Secretary
Membership Number - A17091

Place: Bengaluru, India
Date: June 14, 2024

Capillary Technologies India Limited
Consolidated Statement of Cash Flows for the year ended March 31, 2024
(All amounts in Indian Rupees (₹) millions, unless otherwise stated)

	For the year ended March 31, 2024	For the year ended March 31, 2023
A. Cash flow from operating activities		
Loss before exceptional items and tax	(639.02)	(1,041.09)
Adjustments to reconcile loss before tax to net cash flows		
Depreciation and amortisation expenses	582.19	395.68
Provision for doubtful trade receivables and advances (including bad debts written off)	41.21	19.19
Employee stock option expenses	68.84	591.48
Profit on sale of mutual fund	(17.55)	-
Fair value change in financial assets measured at fair value through statement of profit and loss	(9.59)	-
Interest income on income tax refund	(2.58)	-
Property, plant and equipment written off	2.31	-
Interest income on corporate deposit	(6.50)	-
Provision / liabilities no longer required, written back	(26.07)	(38.22)
Gain on account of foreign exchange fluctuations (net)	(19.23)	48.75
Interest income on bank deposits	(12.64)	(5.44)
Finance costs	168.30	102.34
Operating profit before working capital changes	129.67	72.69
Working capital adjustments :		
Increase in trade receivables	(347.29)	(289.29)
Decrease/(Increase) in non-current and current other financial and other assets	66.37	(16.28)
Increase in trade payables, non-current and current other financial, other liabilities and provisions	976.17	10.70
Cash generated from / (used in) from operations	824.92	(222.18)
Direct taxes refund	7.20	21.66
Net cash from / (used in) operating activities (A)	832.12	(200.52)
B. Cash flow from investing activities		
Purchase of property, plant and equipment, intangible assets and intangible assets under development	(369.32)	(282.06)
Proceeds from sale of property, plant and equipment	1.80	-
(Purchase) / sale of current investment, net	(672.11)	-
Investments in corporate deposits	(260.26)	-
Interest income on bank deposits	10.78	2.06
Investment/(withdrawal) of bank deposits	(29.10)	40.34
Acquisition of a subsidiary	(387.82)	-
Advance towards acquisition of a subsidiary	-	(696.59)
Net cash used in investing activities (B)	(1,706.03)	(936.25)
C. Cash flow from financing activities		
Proceeds from issue of share capital	1,337.43	820.60
Proceeds from issue of non convertible debentures	50.00	544.00
Repayment of non convertible debentures	(237.89)	-
Proceeds from issue of Compulsory Convertible Debentures (CCDs)	1,701.50	-
Repayment of long-term borrowings	(366.82)	(258.02)
Payment of principal and interest portion of lease liabilities	(24.23)	(26.68)
Proceeds from short-term borrowings (net)	4.90	369.16
Finance costs paid	(166.91)	(75.42)
Buy back of employee stock options	(120.37)	(7.92)
Net cash from financing activities (C)	2,177.61	1,365.72
Net increase in cash and cash equivalents (A+B+C)	1,303.70	228.95
Cash and cash equivalents at the beginning of the year	462.00	291.94
Effect of exchange differences on cash and cash equivalents held in foreign currency	40.98	(58.89)
Cash and cash equivalents at the end of the year	1,806.68	462.00
Cash and cash equivalents (refer note 9)	1,806.68	462.00
Cash and cash equivalents at the end of the period	1,806.68	462.00
Non-cash investing activities		
Acquisition of right-of-use assets (refer note 31)	38.58	5.45

Capillary Technologies India Limited
Consolidated Statement of Cash Flows for the year ended March 31, 2024
(All amounts in Indian Rupees (₹) millions, unless otherwise stated)

Explanatory notes to statements of cash flows

Changes in liabilities arising from financing activities

Particulars	Borrowings (refer note 14)	Lease liabilities (including current portion of lease liabilities) (refer note 31)
As at April 01, 2023	1,474.71	20.04
Cash flow changes		
Proceeds from long term borrowing	1,751.50	-
Repayment of long-term borrowings	(604.71)	-
Payment of principal and interest portion of lease liabilities	-	(24.23)
Conversion of compulsorily convertible debentures	(1,701.50)	
Conversion of ECB into fully paid up shares	(134.00)	
Proceeds/ (repayment) from short-term borrowings (net)	4.90	
Non-cash changes		
Additions (refer note 31)	-	38.58
Accretion of interest on lease liabilities (refer note 31)	-	1.39
Corporate guarantee	-	-
Interest on borrowings measured at amortised cost	(19.24)	(4.37)
Foreign exchange fluctuations	-	0.02
As at March 31, 2024	771.66	31.43
As at April 01, 2022	789.41	36.98
Cash flow changes		
Repayment of long-term borrowings	(258.02)	-
Proceeds from long-term borrowings	544.00	-
Payment of principal and interest portion of lease liabilities	-	(26.68)
Proceeds from short-term borrowings (net)	369.16	-
Non-cash changes		
Adjustment pursuant to acquisition of a subsidiary	-	5.45
Accretion of interest on lease liabilities (refer note 31)	-	3.47
Corporate guarantee	(3.63)	
Interest on borrowings measured at amortised cost	23.46	-
Foreign exchange fluctuations	10.33	0.82
As at March 31, 2023	1,474.71	20.04

Summary of material accounting policies

2.3

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

As per our report of even date

For **Walker Chandiook & Co LLP**

Chartered Accountants

Firm registration number: 001076N/N500013

For and on behalf of the Board of Directors of

Capillary Technologies India Limited

Aasheesh Arjun Singh

Partner

Membership No: 210122

Place: Bengaluru, India

Date: June 14, 2024

Aneesh Reddy Boddu

Managing Director and CEO

DIN: 02214511

Anant Choubey

Executive Director, COO & CFO

DIN: 06536413

G. Bhargavi Reddy

Company Secretary

Membership Number - A17091

Place: Bengaluru, India

Date: June 14, 2024

Capillary Technologies India Limited
Consolidated Statement of Changes in Equity for the year ended March 31, 2024
(All amounts in Indian Rupees (₹) millions, unless otherwise stated)

A. Equity share capital*

	Number (in millions)	(₹)
As at April 01, 2022		
Issuance of share capital (refer notes 12(a) ¹)	50.01	100.03
Issuance of bonus shares (refer note 12(a) ²)	2.66	5.33
	0.22	0.43
As at March 31, 2023	52.89	105.79
Issuance of share capital (refer notes 12(a) ³)	2.76	5.51
Issue of rights shares during the year (refer notes 12(a) ⁴)	11.05	22.10
Conversion of external commercial borrowing ('ECB') into fully paid shares (refer notes 12(a) ⁵)	0.44	0.87
Conversion of convertible instruments (refer notes 12(a) ⁶)	5.52	11.05
Exercise of ESOPs (refer notes 12(a) ⁷)	0.57	1.14
As at March 31, 2024	73.23	146.46

B. Other equity**

	Attributable to the equity shareholders - Reserves and surplus						Total other equity
	Retained earnings / (Accumulated deficit)	Capital contribution from Ultimate Holding Company	Foreign currency translation difference	Securities premium	Share based payments reserve	Capital reserve	
Balance as at April 01, 2022	(3,684.59)	1,814.34	45.22	1,759.02	259.17	868.23	1,061.39
Loss for the year	(877.19)	-	-	-	-	-	(877.19)
Other comprehensive (loss)/ income for the year (net of	(4.92)	-	(61.16)	-	-	-	(66.08)
Issuance of share capital (refer note 12(a) ¹)	-	-	-	815.27	-	-	815.27
Issuance of fully paid bonus shares (refer note 12(a) ²)	-	-	-	(0.43)	-	-	(0.43)
Employee stock option expenses (refer notes 22 and 30)	-	(7.31)	-	-	637.28	-	629.97
Corporate guarantee (refer note 33)	-	3.63	-	-	-	-	3.63
Buy back of employee stock option (refer note 22 and 30)	-	-	-	-	(7.92)	-	(7.92)
Balance as at March 31, 2023	(4,566.70)	1,810.66	(15.94)	2,573.86	888.53	868.23	1,558.64
Loss for the year	(593.78)	-	-	-	-	-	(593.78)
Other comprehensive (loss)/ income for the year (net of	(4.06)	-	41.72	-	-	-	37.66
Issuance of share capital (refer note 12(a) ³)	-	-	-	844.49	-	-	844.49
Issue of rights shares during the year (refer note 12(a) ⁴)	-	-	-	464.19	-	-	464.19
Conversion of ECB into fully paid shares (refer note 12(a) ⁵)	-	-	-	133.13	-	-	133.13
Conversion of convertible instruments (refer note 12(a) ⁶)	-	-	-	1,690.45	-	-	1,690.45
Exercise of ESOPs (refer note 12(a) ⁷)	-	-	-	174.63	(174.63)	-	-
Warrants issued on behalf of the Group	-	926.15	-	-	-	-	926.15
Employee stock option expenses (refer notes 22 and 30)	-	-	-	-	79.08	-	79.08
Buy back of employee stock option (refer note 22 and 30)	-	-	-	-	(120.37)	-	(120.37)
Balance as at March 31, 2024	(5,164.54)	2,736.81	25.78	5,880.75	672.61	868.23	5,019.64

*Also refer note 12

**Also refer note 13

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

Summary of material accounting policies

2.3

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

As per our report of even date

For **Walker Chandiook & Co LLP**

Chartered Accountants

Firm registration number: 001076N/N500013

For and on behalf of the Board of Directors of

Capillary Technologies India Limited

Aasheesh Arjun Singh

Partner

Membership No: 210122

Place: Bengaluru, India

Date: June 14, 2024

Aneesh Reddy Boddu

Managing Director and CEO

DIN: 02214511

Anant Choubey

Executive Director, COO & CFO

DIN: 06536413

G. Bhargavi Reddy

Company Secretary

Membership Number - A17091

Place: Bengaluru, India

Date: June 14, 2024

Capillary Technologies India Limited
Notes to the Consolidated Financial Statements

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

3 Property, plant and equipment

Particulars	Computers	Office equipments	Leasehold improvements	Furniture and fixtures	Total
Gross block					
As at April 01, 2022	41.89	0.53	1.14	0.85	44.41
Additions	18.72	1.04	-	-	19.76
Disposals	(1.40)	-	-	-	(1.40)
Translation adjustments	0.92	0.02	0.05	0.35	1.34
As at March 31, 2023	60.13	1.59	1.19	1.20	64.11
Additions	25.02	7.72	-	-	32.74
Disposals	(28.81)	-	-	-	(28.81)
Translation adjustments	0.08	-	0.01	0.01	0.10
As at March 31, 2024	56.42	9.31	1.20	1.21	68.14
Accumulated depreciation					
As at April 01, 2022	17.09	0.36	1.14	0.38	18.97
Charge for the year	23.45	0.16	-	0.12	23.73
Disposals	(1.27)	-	-	-	(1.27)
Translation adjustments	(0.26)	0.03	0.05	0.30	0.12
As at March 31, 2023	39.01	0.55	1.19	0.80	41.55
Charge for the year	25.74	1.75	-	0.11	27.60
Disposals	(27.01)	-	-	-	(27.01)
Translation adjustments	(0.01)	(0.01)	0.01	0.01	-
As at March 31, 2024	37.73	2.29	1.20	0.92	42.14
Net block					
As at March 31, 2023	21.12	1.04	-	0.40	22.56
As at March 31, 2024	18.69	7.02	-	0.29	26.00

Capillary Technologies India Limited
Notes to the Consolidated Financial Statements

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

4 Intangible assets

Particulars	Computer software	Internally generated assets*	Intellectual property rights	Patents	Customer relationships	Total	Goodwill refer note 37	Intangible assets under development*#
Gross block								
As at April 01, 2022	5.91	524.65	74.65	9.88	397.00	1,012.09	1,472.72	3.62
Additions	-	245.21	-	-	-	245.21	-	51.35
Disposals	(0.01)	-	-	-	-	(0.01)	-	-
As at March 31, 2023	5.90	769.86	74.65	9.88	397.00	1,257.29	1,472.72	54.97
Additions	0.58	366.37	-	-	-	366.95	-	17.81
Capitalization	-	-	-	-	-	-	-	(41.68)
Adjustment pursuant to acquisition of a subsidiary (refer note 37)	-	-	49.97	-	686.72	736.69	159.49	-
Translation adjustments	-	-	0.74	-	9.53	10.27	-	-
As at March 31, 2024	6.48	1,136.23	125.36	9.88	1,093.25	2,371.20	1,632.21	31.10
Accumulated amortisation								
As at April 01, 2022	3.98	285.14	15.04	9.88	77.19	391.23	-	-
Charge for the year	0.86	192.14	24.67	-	132.33	350.00	-	-
As at March 31, 2023	4.84	477.28	39.71	9.88	209.52	741.23	-	-
Charge for the year	0.86	221.92	24.67	-	284.97	532.42	-	-
As at March 31, 2024	5.70	699.20	64.38	9.88	494.49	1,273.65	-	-
Net block								
As at March 31, 2023	1.06	292.58	34.94	-	187.48	516.06	1,472.72	54.97
As at March 31, 2024	0.78	437.03	60.98	-	598.76	1,097.55	1,632.21	31.10

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

Particulars	As at March 31, 2024		As at March 31, 2023	
	Internally generated assets	Intangible assets under development	Internally generated assets	Intangible assets under development
Employee salary costs	285.01	17.81	141.65	51.35
Employee stock option expenses	10.24	-	38.82	-
Software and server charges	71.12	-	64.74	-
	366.37	17.81	245.21	51.35

#Intangible assets under development (IAUD) ageing schedule

As at March 31, 2024

	Amount in IAUD for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress	17.81	13.29	-	-	31.10
	17.81	13.29	-	-	31.10

As at March 31, 2023

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

There are no intangible assets under development whose completion is overdue as at March 31, 2024 and as at March 31, 2023.

Capillary Technologies India Limited

Notes to the Consolidated Financial Statements

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

5 Tax assets/liabilities

	As at March 31, 2024	As at March 31, 2023
A Non-current tax assets		
Tax assets	43.06	50.53
	43.06	50.53
B Liabilities for current tax		
Provision for income tax	24.00	1.03
	24.00	1.03

6 Financial assets

Unsecured considered good unless otherwise stated

Non-current

Financial instruments at amortised cost

Security deposits	23.63	-
Non-current bank balances (refer note 9)	121.16	115.69
Total other non-current financial assets	144.79	115.69

Current

Financial instruments at amortised cost

Security deposits	11.93	8.76
Other receivables from related parties (refer note 33) ¹	2.81	145.88
Advances to employees	0.48	0.31
Interest accrued on deposits	12.48	4.12
	27.70	159.07

¹ Other receivables from related parties are non-interest bearing and are generally on terms of upto 90 days. Other receivables from related parties include Nil (March 31, 2023: ₹ 128.23) due from the Ultimate Holding Company which are secured against the External Commercial Borrowings of Nil (March 31, 2023: ₹ 179.22) payable to the Ultimate Holding Company. These amounts will be settled on the completion of certain events and are therefore currently not due. The management has recovered the amount from Ultimate Holding Company during current year.

7 Investments

Unquoted - Investments in mutual funds

Investment measured at fair value through profit and loss

	As at March 31, 2024	As at March 31, 2023
	No. of units	Value
ABSL Money Manager Fund - Direct Plan - Growth	2,75,032	93.73
Kotak Money Market Scheme - Direct Plan - Growth	49,276	203.14
UTI Money Market Fund - Direct Plan - Growth	72,549	205.72
Kotak Liquid Fund - Direct Plan - Growth	11,110	54.21
DSP Liquidity Fund - Direct Plan - Growth	41,274	142.45
		699.25
Aggregate value of unquoted investments		699.25
Aggregate amount of impairment in value of investments		-

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Capillary Technologies India Limited**Notes to the Consolidated Financial Statements***(All amounts in Indian Rupees (₹) millions, unless otherwise stated)***8 Trade receivables**

	As at March 31, 2024	As at March 31, 2023
<i>Unsecured</i>		
Trade receivables - considered good ^{1,2}	2,368.67	801.11
Trade receivables - credit impaired (refer note 8.1)	53.33	10.53
(A)	2,422.00	811.64
Impairment allowance (allowance for bad and doubtful debts)		
Trade receivables - Unsecured, credit impaired (refer note 8.1)	(53.33)	(10.53)
(B)	(53.33)	(10.53)
(A + B)	2,368.67	801.11

¹No trade or other receivable are due from directors or other officers of the Group either severally or jointly with any other person. Nor any trade or other receivable are due from firms or private companies respectively in which any director is a partner, a director or a member. Also refer note 33.

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

8.1 Expected credit loss allowance

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

At the beginning of the year	10.53	30.43
Provision made during the year	41.21	19.19
(Utilised) / (reversed) during the year	(1.69)	(30.55)
Translation adjustment	3.28	(8.54)
At the end of the year	53.33	10.53

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Capillary Technologies India Limited

Notes to the Consolidated Financial Statements

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

8 Trade receivables (cont'd)

Trade receivables ageing schedule

As at March 31, 2024

	Unbilled*	Current but not due	Outstanding for following periods from due date of payment					Total
			Less than 6 months	6 months - 1 year	1 - 2 years	2 - 3 years	More than 3 years	
Undisputed trade receivables								
- considered good	1,244.16	641.34	422.09	43.85	17.01	0.22	-	2,368.67
- with significant increase in credit risk	-	-	-	-	-	-	-	-
- credit impaired	-	-	46.50	6.17	0.61	0.05	-	53.33
	1,244.16	641.34	468.59	50.02	17.62	0.27	-	2,422.00

As at March 31, 2023

	Unbilled*	Current but not due	Outstanding for following periods from due date of payment					Total
			Less than 6 months	6 months - 1 year	1 - 2 years	2 - 3 years	More than 3 years	
Undisputed trade receivables								
- considered good	124.44	513.00	159.12	3.30	1.25	-	-	801.11
- with significant increase in credit risk	-	-	-	-	-	-	-	-
- credit impaired	-	4.52	2.20	2.86	0.95	-	-	10.53
	124.44	517.52	161.32	6.16	2.20	-	-	811.64

* Unbilled revenue consists of contract assets, that primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to the receivables when the rights become unconditional and is current but not due.

9 Cash and cash equivalents

	As at March 31, 2024	As at March 31, 2023
a) Balances with banks		
On current accounts	1,806.68	462.00
	(A) 1,806.68	462.00
b) Other bank balances		
Margin money deposits**	121.16	115.69
	(B) 121.16	115.69
Disclosed under other non-current financial assets (refer note 6)	(121.16)	(115.69)
	(C) (121.16)	(115.69)
	(A+B+C) 1,806.68	462.00

**These are under lien against short-term borrowings from a bank (refer note 14)

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Capillary Technologies India Limited

Notes to the Consolidated Financial Statements

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

10 Loan receivables

	As at March 31, 2024	As at March 31, 2023
Unsecured, considered good		
Corporate deposits*	399.99	-
	399.99	-

***Details of corporate deposits during the year:**

Name of borrower	Nature of relationship	Secured/ unsecured	Rate of interest	Term	As on March 31, 2024
Bajaj Finance Limited	Others	Unsecured	7.95%	< 6 months	200.00
Aditya Birla Finance Ltd	Others	Unsecured	8.10%	< 6 months	199.99
					399.99

Corporate deposits were made during the year to earn treasury income

11 Other assets

	As at March 31, 2024	As at March 31, 2023
Non-current		
Others (Unsecured, considered good)		
Advance towards acquisition of a subsidiary [#]	-	696.59
Deferred contract costs*	9.46	5.97
Prepaid expenses	7.06	4.70
	16.52	707.26
Current		
Unsecured, considered good		
Advances other than capital advances	19.64	17.18
Others (Unsecured, considered good)		
Deferred contract costs*	5.22	9.58
Prepaid expenses	113.10	42.98
Balance with statutory/ government authorities	16.47	6.34
	154.43	76.08

[#]The Group had entered into a stock purchase agreement dated March 30, 2023 to acquire 100% stake in Capillary Brierley Inc, USA (formerly known as Brierley & Partners Inc.), and Capillary Technologies Europe Limited (formerly known as Brierley Europe Limited) (collectively referred to as "Brierley Group") for a total consideration of USD 10 million, consisting primarily of cash. Brierley Group provides customer relationship management and loyalty products and services, including technology, marketing and strategy to global companies. The Group obtained control on April 01, 2023 upon satisfaction of customary closing conditions. Consequently the financial Statements of Brierley Group had not been consolidated in the consolidated financial statements for the year ended March 31,2023.

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

	As at March 31, 2024	As at March 31, 2023
Deferred contract costs		
At the beginning of the year	15.55	14.09
Additions during the year	18.25	20.80
Amortised during the year	(16.91)	(19.84)
Translation adjustments	(2.21)	0.50
At the end of the year	14.68	15.55
The same is shown under:		
Current	5.22	9.58
Non-current	9.46	5.97
	14.68	15.55

Capillary Technologies India Limited

Notes to the Consolidated Financial Statements

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

12 Equity share capital

	Equity shares		Preference shares	
	Number (in millions)	₹	Number (in millions)	₹
Equity shares of ₹ 2 each				
Preference shares of ₹ 10 each				
<i>Authorised share capital</i>				
As at April 01, 2022	75.00	150.00	0.10	1.00
Increase/ (decrease) during the year	-	-	-	-
As at March 31, 2023	75.00	150.00	0.10	1.00
Increase/ (decrease) during the year ¹	50.00	100.00	-	-
As at March 31, 2024	125.00	250.00	0.10	1.00

¹ Pursuant to the approval of the Board of Directors dated March 1, 2024 and shareholder at the Extra-Ordinary General Meeting dated March 8, 2024, the authorised share capital of the Parent Company was increased from ₹ 150 i.e. 75 million equity shares of ₹ 2 each to ₹ 250 i.e. 125 million equity shares of ₹ 2 each and 0.10 million preference shares of ₹ 10 each.

(a) Issued share capital

	Equity shares		Equity component of Compulsorily Convertible Preference Shares ('CCPS')	
	Number (in millions)	₹	Number (in millions)	₹
Equity shares of ₹ 2 each (March 31, 2023 : ₹ 2 each) issued, subscribed and fully paid up				
Preference shares of ₹ 10 each issued, subscribed and fully paid up				
As at April 01, 2022	50.01	100.03	-	-
Issuance of share capital ¹	2.66	5.33	-	-
Issuance of bonus shares ²	0.22	0.43	-	-
As at March 31, 2023	52.89	105.79	-	-
Issuance of share capital ³	2.76	5.51	-	-
Issue of Rights shares during the year ⁴	11.05	22.10	-	-
Conversion of ECB into fully paid shares ⁵	0.44	0.87	-	-
Conversion of convertible instruments ⁶	5.52	11.05	-	-
Exercise of ESOPs ⁷	0.57	1.14	-	-
As at March 31, 2024	73.23	146.46	-	-

¹ Pursuant to the approval of the Board of Directors, dated March 24, 2023, the Parent Company approved the allotment of 2,664,285 equity shares of face value of ₹ 2 each at a price of ₹ 308 per equity share (including securities premium of ₹ 306 per equity share) for an amount aggregating to ₹ 820.60 on a private placement basis under the provisions of Companies Act, 2013 and all other applicable laws and regulations.

² Pursuant to the approval of Board of Directors dated March 24, 2023, the Parent Company had approved the issuance of bonus shares in the proportion of 4.53:1 aggregating to 214,656 equity shares of face value of ₹ 2 each for an amount aggregating to ₹ 0.4 (fully paid-up by way of capitalisation of the Company's securities premium account) to the existing equity shareholders of the Company other than promoters under the provisions of Companies Act, 2013 and all other applicable laws and regulations.

³ Pursuant to the approval of Board of Directors on multiple dates during the year, the Parent Company approved the allotment of 2,759,755 equity shares of face value of ₹ 2 each at a price of ₹ 308 per equity share (including securities premium of ₹ 306 per equity share) for an amount aggregating to ₹ 850.00 on a private placement basis under the provisions of the Act and all other applicable laws and regulations.

⁴ Pursuant to the approval of Board of Directors dated March 28, 2024, the Parent Company approved the allotment of 11,052,223 equity shares of face value of ₹ 2 each at a price of ₹ 44 per equity share (including securities premium of ₹ 42 per equity share) for an amount aggregating to ₹ 486.29 on a private placement basis under the provisions of Companies Act, 2013 and all other applicable laws and regulations.

⁵ Pursuant to the approval of Board of Directors dated January 29, 2024, the Parent Company approved the allotment of 435,065 equity shares of face value of ₹ 10 each at a price of ₹ 308 per equity share (including securities premium of ₹ 306 per equity share) for an amount aggregating to ₹ 134.00 for consideration other than cash consequent to conversion of external commercial borrowings to Capillary Technologies International Pte. Ltd., the Ultimate Holding Company (Refer note 14²).

Capillary Technologies India Limited

Notes to the Consolidated Financial Statements

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

12 Equity share capital (cont'd)

⁶ Pursuant to the approval of the Board of Directors, the Parent Company approved the conversion of Compulsory Convertible Debentures (CCDs) issued during the year into 5,524,350 equity shares of face value of ₹ 2 each at a price of ₹ 308 per equity share (including securities premium of ₹ 306 per equity share) for an amount aggregating to ₹ 1701.50 on a private placement basis under the provisions of Companies Act, 2013 and all other applicable laws and regulations.

⁷ Pursuant to the approval of Nomination and Remuneration Committee dated November 15, 2023, the Parent Company approved the allotment of 571,064 equity shares arisen out of exercise of vested employee stock options under Capillary ESOP-2021 Scheme. The ESOP's exercised were of face value of ₹ 2 each at a price of ₹ 307.80 per equity share (including securities premium of ₹ 305.80 per equity share) for an amount aggregating to ₹ 175.77.

(b) Terms / rights attached to equity shares

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

In the event of liquidation of the Parent Company, the holders of equity shares will be entitled to receive remaining assets of the Parent Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) Terms / rights attached to preference shares

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

Each CCPS had a par value of ₹ 10 and is convertible at the option of the Parent Company into equity shares of the Parent Company prior to the expiry of 20 years from the date of such issuance.

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

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

(d) Shares held by the Holding Company/ Ultimate Holding Company and / or their subsidiaries / associates

Out of the equity shares issued by the Parent Company, shares held by its Holding Company, Ultimate Holding Company and their subsidiaries / associates are as below:

	As at March 31, 2024	As at March 31, 2023
Capillary Technologies International Pte Ltd, Singapore, the Ultimate Holding Company¹		
51.07 million equity shares of ₹ 2 each fully paid (March 31, 2023: 49.04 million equity shares of ₹ 2 each fully paid)	102.14	98.08

Capillary Technologies India Limited

Notes to the Consolidated Financial Statements

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

12 Equity share capital (cont'd)

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

	March 31, 2024		March 31, 2023	
	No. of shares held (in millions)	% holding in the class	No. of shares held (in millions)	% holding in the class
Equity shares of ₹ 2 each (March 31, 2022 : ₹ 2 each), fully paid				
Capillary Technologies International Pte Ltd, Singapore, the Ultimate Holding Company ¹	51.07	69.74%	49.04	92.72%
Avataar Holdings	3.13	4.27%	2.66	5.04%
Avataar II Co Investment II Ltd	5.52	7.54%	-	-
Avataar Venture Partners II	4.04	5.52%	-	-

As per the records of the Parent Company, including its register of shareholders / members and other declarations received from the shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

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

(f) Details of shares held by promoters

Promoter name	No. of shares at the beginning of the period (in millions)	Change during the period	No. of shares at the end of the period (in millions)	% of total shares	% change during the period
Capillary Technologies International Pte Ltd, Singapore, the Ultimate Holding Company					
March 31, 2024	49.04	2.03	51.07	69.74%	(22.98%)
March 31, 2023	2.33	46.71	49.04	92.72%	(1.94%)

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

	As at March 31, 2024	As at March 31, 2023
Equity shares allotted as fully paid bonus shares by capitalisation of securities premium (Number of shares, in millions)	-	0.22
Equity shares allotted for conversion of external commercial borrowing (Number of shares, in millions) (refer note 14 ²)	0.44	-

(h) Shares reserved for issue under options

For details of shares reserved for issue under the share based payment plan of the Parent Company, refer note 30.

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Capillary Technologies India Limited

Notes to the Consolidated Financial Statements

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

13 Other equity	₹
Securities premium	
As at April 01, 2022	1,759.02
Add: Issuance of share capital (refer note 12(a) ¹)	815.27
Less: Issuance of fully paid bonus shares (refer note 12(a) ²)	(0.43)
As at March 31, 2023	2,573.86
Issuance of share capital (refer note 12(a) ³)	844.49
Issue of Rights shares during the year (refer note 12(a) ⁴)	464.19
Conversion of ECB into fully paid shares (refer note 12(a) ⁵)	133.13
Conversion of convertible instruments (refer note 12(a) ⁶)	1,690.45
Exercise of ESOPs (refer note 12(a) ⁷)	174.63
As at March 31, 2024	(A) 5,880.75
Capital reserve	
As at April 01, 2022	868.23
Changes during the year	-
As at March 31, 2023	868.23
Changes during the year	-
As at March 31, 2024	(B) 868.23
Foreign currency translation difference account (FCTR)	
As at April 01, 2022	45.22
Movement during the year	(61.16)
As at March 31, 2023	(15.94)
Movement during the year	41.72
As at March 31, 2024	(C) 25.78
Capital contribution from the Ultimate Holding Company	
As at April 01, 2022	1,814.34
Movement during the year	(3.68)
As at March 31, 2023	1,810.66
Warrant issued on behalf of the Group	926.15
As at March 31, 2024	(D) 2,736.81
Retained earnings / (Accumulated deficit)[#]	
As at April 01, 2022	(3,684.59)
Loss for the year	(877.19)
Add: Re-measurement (losses) / gains on defined benefit plans	(4.92)
As at March 31, 2023	(4,566.70)
Loss for the year	(593.78)
Add: Re-measurement (losses) on defined benefit plans	(4.06)
As at March 31, 2024	(E) (5,164.54)
Share based payments reserve	
As at April 01, 2022	259.17
Employee stock option expenses	637.28
Buy-back of employee stock options	(7.92)
As at March 31, 2023	888.53
Employee stock option expenses	79.08
Exercise of ESOPs	(174.63)
Buy-back of employee stock option	(120.37)
As at March 31, 2024	(F) 672.61
Total other equity	(A+B+C+D+E+F)
As at March 31, 2023	1,558.64
As at March 31, 2024	5,019.64

Capillary Technologies India Limited

Notes to the Consolidated Financial Statements

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

13 Other equity (cont'd)

The Group has incurred cash losses during the years ended March 31, 2024 and March 31, 2023 which has resulted in substantial erosion of net worth of the Group and as on March 31, 2023, the Group's current liabilities exceed the current assets. Though the net worth of the Group was substantially eroded, the management of the Group basis its business plan as approved by the Board of Directors expects that there will be a significant increase in the operations of the Group that will lead to improved cash flows and long-term sustainability and the Group will be able to generate sufficient profit in future years to meet the operational requirements as they arise and to meet its liabilities as and when they fall due. Accordingly, the consolidated financial statements of the Group have been prepared on a going concern basis and do not include any adjustments relating to the carrying amount and classification of assets or the amounts and classification of liabilities that may be necessary if the entity is unable to continue as a going concern.

Nature and purpose of reserves

13.1 Securities premium

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

13.2 Capital reserve

Capital reserve is on account of common control transaction as per Appendix C of Ind AS 103.

13.3 Foreign currency translation difference account

The foreign currency translation difference account represents exchange differences arising from the translation of the financial statements of the Parent Company's overseas subsidiaries from their respective functional currency to the presentation currency of the Company.

13.4 Capital contribution from the Ultimate Holding Company

The Ultimate Holding Company had a share option scheme under which it granted employee stock options to certain employees of the Parent Company without any cross charge. Capital contribution from the Ultimate Holding Company is used to recognise the value of equity-settled share-based payments provided to employees of the Parent Company, including key management personnel, as part of their remuneration by the Ultimate Holding Company. Refer note 30 for further details.

13.5 Retained earnings / (Accumulated deficit)

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

13.6 Share based payments reserve

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

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Capillary Technologies India Limited

Notes to the Consolidated Financial Statements

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

14 Borrowings

	As at March 31, 2024	As at March 31, 2023
Non-current		
Debentures:		
Unlisted, non convertible, redeemable debentures (secured) ¹	29.92	331.52
Loans from related parties:		
External Commercial Borrowing ('ECB') from the Ultimate Holding Company (unsecured) ² (refer note 33)	-	89.61
Term loans from Body Corporate:		
US Dollar term loan from Body Corporate - SBA (secured) ³	11.77	10.93
	41.69	432.06
Current		
Current maturities of long-term borrowings:		
Debentures:		
Unlisted, non convertible, redeemable debentures (secured) ¹	322.56	208.86
Loans from related parties:		
External Commercial Borrowing ('ECB') from the Ultimate Holding Company (unsecured) ² (refer note 33)	-	89.61
Term loans from Body Corporate:		
Indian Rupees term loan from Body Corporate - NBFC (secured) ⁴	-	36.91
US Dollar term loan from Body Corporate (secured) ⁵	-	42.11
US Dollar term loan from Body Corporate - SBA (secured) ³	2.13	1.38
Short-term borrowings:		
Loan from a Body Corporate (unsecured) ⁶ (refer note 33)	-	50.48
Loan from a Body Corporate (secured) ⁷	-	253.44
US Dollar loan from bank (secured) ⁸	-	83.49
Loans repayable on demand:		
Bank overdraft (secured) ⁹	106.70	-
Working capital loans from a bank (secured) ⁹	298.58	276.37
	729.97	1,042.65
The above amount includes		
Secured borrowings	771.66	1,245.01
Unsecured borrowings	-	229.70

Interest and security notes to Borrowings:

¹The Parent Company had entered into debenture trust deed dated March 29, 2023 for issue of 6,000 (six thousand) fully paid, unlisted, secured and redeemable non-convertible debentures (NCD) of face value of ₹ 100,000 each, aggregating to an amount of ₹ 600 for general corporate purpose. As on March 31, 2023 the Company has issued 5,500 fully paid, NCD, on a private placement basis, aggregating to an amount of ₹ 550 million. The NCD carries fixed coupon rate of 14.5% per annum, payable monthly on first of each month from the date of disbursement. NCD shall mature on April 01, 2025 and the principal amount of NCD are payable in equal monthly instalment starting from September 01, 2023. NCD is secured by way of first pari passu charge on all the existing future, fixed, non-current and current assets, including any and all intellectual property and the intellectual property rights with respect to these movables present and future, accounts, cashflows, receivables, book debts, revenue, equipment, inventory, contract rights or right to payment of money, leases, license agreement, franchise agreements, goodwill, uncalled capital, general intangibles, documents, instruments (including any promissory notes), chattel paper (whether tangible or intangibles), cash, deposit accounts, fixtures, letter of credit rights (whether or not the letter of credit is evidenced by writing) and all other investment property of the Company. NCD is also secured by way of unconditional and irrevocable corporate guarantee from Capillary Technologies International Pte Ltd, Singapore, the Ultimate Holding Company.

²During the year ended March 31, 2019, the Parent Company had entered into an External Commercial Borrowing ('ECB') arrangement with Capillary Technologies International Pte Ltd, Singapore, the Ultimate Holding Company. During the year ended March 31, 2020, the Company had taken loans amounting to USD 2 million carrying interest at the rate of 6 months LIBOR rate plus 300 basis points per annum payable on an annual basis at the end of each financial year. The aforesaid loan is repayable in two equal instalments on March 31, 2024 and September 30, 2024 respectively.

During the year ended March 31, 2024, pursuant to the approval of Board of Directors dated January 29, 2024, the Parent Company approved the allotment of 435,065 equity shares of face value of ₹ 10 each at a price of ₹ 308 per equity share (including securities premium of ₹ 306 per equity share) for an amount aggregating to ₹ 134.00 for consideration other than cash consequent to conversion of the said external commercial borrowings to Capillary Technologies International Pte. Ltd., the Ultimate Holding Company. (Also refer note 12(a)⁵)

Capillary Technologies India Limited**Notes to the Consolidated Financial Statements**

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

14 Borrowings (cont'd)

³US Dollar term loan from Body Corporate - SBA in relation to a subsidiary of ₹ 13.90 is outstanding as at March 31, 2024 (March 31, 2023: ₹ 12.31) which carries interest of 3.75% per annum and is payable on a monthly basis, beginning 12 months from the date of promissory note. Further, the start of repayment of loan has been deferred to December 1, 2022 vide Small Bank Administration (SBA) release number: 22-19 | March 15, 2022. These loans are secured by hypothecation of property that the subsidiary now owns or shall acquire or create immediately upon the acquisition or creation thereof: all tangible and intangible personal property, including, but not limited to: (a) inventory, (b) equipment, (c) instruments, including promissory notes (d) chattel paper, including tangible chattel paper and electronic chattel paper, (e) documents, (f) letter of credit rights, (g) accounts, including health-care insurance receivables and credit card receivables, (h) deposit accounts, (i) commercial tort claims, (j) general intangibles, including payment intangibles and software and (k) as-extracted collateral as such terms may from time to time be defined in the Uniform Commercial Code. The security interest subsidiary grants includes all accessions, attachments, accessories, parts, supplies and replacements for the Collateral, all products, proceeds and collections thereof and all records and data relating thereto.

⁴Indian Rupees term loans from Body Corporate - NBFC carries interest of 14.35% per annum and is payable on a monthly basis in 21 equal instalments. The loan is secured by hypothecation of existing, future, fixed, current and non-current assets, including any and all intellectual property and the intellectual property rights with respect to these movables present and future, accounts, cash flows, receivables, book debts, revenues, equipment, inventory, contract rights or rights to payments of money, leases, license agreements, franchise agreements, goodwill, uncalled capital, general intangibles, documents, instruments (including any promissory notes), chattel paper (whether tangible or electronic), cash, deposit accounts, fixtures, letter of credit rights (whether or not the letter of credit is evidenced by a writing), securities, and all other investment property, supporting obligations, and financial assets, whether now owned or hereafter acquired, whether installed or not and whether now lying loose or in cases or which are now lying or stored in or about or to be stored in or about the Parent Company's factories, premises and godowns held by any party to the order or disposition of the Parent Company, including in the course of transits, whether in ship or land, and all Parent Company's books relating to the foregoing, and any and all claims, rights and interests in any of the above and all substitutions for, additions, attachments, accessories, accessions and improvements to and replacements, products, proceeds and insurance proceeds of any or all of the foregoing and is guaranteed by way of a letter of guarantee from Capillary Technologies International Pte Ltd, Singapore, the Ultimate Holding Company. During the year ended March 31, 2024, the entire loan was repaid by the Parent Company.

⁵US Dollar term loan from a Body Corporate in relation to a subsidiary of ₹ nil outstanding as on March 31, 2024 (March 31, 2023: ₹ 42.11) which carries interest of 9.50% per annum and is payable on a monthly basis starting from interest-only period - August 12, 2021 to October 31, 2021 and instalment period November 01, 2021 to July 01, 2023. The loan is secured by a debenture deed dated August 12, 2021; incorporating a first and exclusive fixed and floating charge over all of subsidiary's present and future assets including, bank accounts, book debts, investments and dividends, licences, intellectual property, uncalled capital and goodwill, chattels, beneficiary interest in any pension fund. Subsidiary shall cause such charge to be filed with the Accounting and Corporate Regulatory Authority of Singapore prior to the drawdown of the loan. Capillary Technologies LLC (formerly known as 'Persuade Loyalty LLC'), USA, Persuade Holding Inc. (formerly known as 'Persuade Holdings LLC'), USA, Capillary Technologies DMCC, UAE, Capillary Technologies (Malaysia) Sdn. Bhd., Malaysia and Capillary Technologies (Shanghai) Co. Ltd, China provided a corporate guarantee guaranteeing the repayment of loan along with interest.

The Subsidiary has pledged the shares of Capillary Technologies LLC (formerly known as Persuade Loyalty LLC) to the lender. The loan has been fully repaid during the current year.

⁶The Parent Company has entered into a loan agreement dated October 10, 2022 with Ms. Biotech Private Limited for ₹ 100. The loan is unsecured and is granted at an interest rate of 12.5% per annum payable on a monthly basis on a loan amount upto ₹ 50 and interest rate of 18% on rest of the amount of loan i.e. ₹ 50. During the year ended March 31, 2024, the entire loan was repaid by the Parent Company.

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

Amount	Period of repayment
₹ 50	on or before June 1, 2023
₹ 50	on or before December 31, 2022

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Capillary Technologies India Limited

Notes to the Consolidated Financial Statements

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

14 Borrowings (cont'd)

⁷ The Parent Company had entered into a loan agreement dated November 28, 2022 with Gameberry Labs Private Limited for ₹ 250 with interest of 18% per annum payable month and principal repayment within twelve months from the date of disbursement. During the year ended March 31, 2024, the entire loan was repaid. The loan was secured by hypothecation of existing book debts, accounts receivable, outstanding moneys, claims, demands, bills, contracts, engagements, securities, movable plant and machinery including vehicles, equipments, computers, furniture, appliances, products, machinery spares and stores, tools and accessories, whether installed or not, all intellectual property and intellectual property rights, securities and other sums which are now due and owing or accruing, any and all cash proceeds and/or non cash proceeds of any of the foregoing, including without limitation, insurance proceeds, and all supporting obligations and its security therefore or for any right to payment and any receivables from the assets that are acquired by the Company pursuant to the utilisation of loan amount. The loan was secured by way of a pari pasu first charge over the hypothecated properties, in favour of the Gameberry Labs Private Limited.

⁸ A Subsidiary had taken credit facility from Bank of America for general business purposes vide a Master Credit Agreement dated April 27, 2022 for USD 1 millions at an interest rate of Bloomberg Short-term Bank Yield Index Rate ("BSBY") Daily Floating Rate plus 2.15 percentage points, which is payable monthly. The credit facility was secured against the subsidiary's accounts; chattel paper; deposit accounts; Documents; general intangibles; goods, including equipment; instruments; inventory; investment property; letters of credit and letter-of-credit rights; money and other assets of such subsidiary that now or later come into the possession, custody, or control of the Bank; all negotiable and non-negotiable documents of title covering any of the foregoing; all accessions, attachments and other additions to, or substitutions and replacements for, the foregoing, and all tools, parts and equipment used in connection with the foregoing; all books and records relating to the foregoing whether in the form of a writing, photograph, microfilm or electronic media, including but not limited to any computer-readable memory and any computer software necessary to process such memory; and all proceeds (as such term is defined in the Uniform Commercial Code), all cash or non-cash proceeds (including insurance proceeds), products, rents and profits of the foregoing, and all income, benefits and property receivable on account of the foregoing, and all supporting obligations covering any of the foregoing. The outstanding balance was settled during the year ended March 31, 2024.

⁷The Parent Company has availed a bank overdraft facility and sales invoice discounting facility and post shipment credit facility carrying interest at REPO as reference rate and Secured Overnight Financing Rate (SOFR) plus 150 basis points per annum, respectively (HDFC Bank). The bank overdraft facility is payable on demand and sales invoice discounting facility is payable in 180 days from the disbursement of the loan. The loans are secured by way of hypothecation of stocks, bills, book debts and receivables and fixed deposits held as margin moneys. Statement of current assets filed with banks are in agreements with the books of accounts.

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Capillary Technologies India Limited
Notes to the Consolidated Financial Statements
(All amounts in Indian Rupees (₹) millions, unless otherwise stated)

15 Provisions

Non-current

Provision for employee benefits:

Provision for gratuity (refer note 29)

Current

Provision for employee benefits:

Provision for gratuity (refer note 29)

Provision for compensated absences

	As at March 31, 2024	As at March 31, 2023
	66.11	43.24
	66.11	43.24
	13.02	21.58
	6.31	10.37
	19.33	31.95

16 Deferred tax

A Deferred tax assets

- On disallowance of ESOP expenses

	As at March 31, 2024	As at March 31, 2023
	6.83	-
	6.83	-

B Deferred tax liability

Deferred tax liability related to the following:

Deferred tax liability on intangibles on account of acquisition of a subsidiary (refer note 37)

Deferred tax liability on present value adjustment on purchase consideration on account of acquisition of a subsidiary

	As at March 31, 2024	As at March 31, 2023
	92.64	54.27
	-	0.88
	92.64	55.15

Consolidated Statement of Profit and Loss:

Deferred tax liability on present value adjustment on purchase consideration on account of acquisition of a subsidiary

Deferred tax liability on intangibles on account of acquisition of a subsidiary

Deferred tax assets on disallowance of ESOP expenses

Deferred tax (credit)

	For the year ended March 31, 2024	For the year ended March 31, 2023
	(0.88)	(6.56)
	(63.35)	(39.51)
	(6.79)	-
	(71.02)	(46.07)

Reconciliation of deferred tax liabilities:

Opening balance

Deferred tax liability on intangibles on account of acquisition of a subsidiary (refer note 37)

Deferred tax credit recognised in the Consolidated Statement of Profit and Loss

Closing balance

	As at March 31, 2024	As at March 31, 2023
	55.15	101.22
	101.72	-
	(64.23)	(46.07)
	92.64	55.15

17 Other financial liabilities

Non-current

Payable towards share purchase

	As at March 31, 2024	As at March 31, 2023
	18.53	18.53
	18.53	18.53

Current

At amortised cost

Accrued salaries and benefits

Payable towards share purchase

	192.69	120.72
	12.14	9.54
	204.83	130.26

18 Other liabilities

Current

Contract liabilities - Deferred revenue (refer note 20.2)

Statutory dues payable

Advance from customers

	1,256.66	398.56
	74.48	29.65
	30.88	-
	1,362.02	428.21

Capillary Technologies India Limited

Notes to the Consolidated Financial Statements

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

19 Trade payables

At amortised cost

Total outstanding dues of micro and small enterprises ^{1,2}	73.95	28.77
Total outstanding dues of creditors other than micro and small enterprises ¹	654.31	559.80
	728.26	588.57

The above amount includes:

Trade payables to others	728.26	548.58
Trade payables to related parties (refer note 33)	-	39.99
	728.26	588.57

Notes:-

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

² The Ministry of Micro, Small and Medium Enterprises has issued an office memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum in accordance with the 'Micro, Small and Medium Enterprises Development Act, 2006' ('the Act'). Accordingly, the disclosure in respect of the amounts payable to such enterprises as at March 31, 2024 has been made in the consolidated financial statements based on information received and available with the Parent Company. Further in view of the Management, the impact of interest, if any, that may be payable in accordance with the provisions of the Act is not expected to be material. The Parent Company has not received any claim for interest from any supplier as at the Balance Sheet date.

Disclosure as per the MSMED Act, 2006

	As at March 31, 2024	As at March 31, 2023
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of the period:		
- Principal amount due to micro and small enterprises	73.95	28.77
- Interest due on above	-	0.29
The amount of interest paid by the buyer in terms of Section 16 of the MSMED Act 2006 along with the amounts of the payment made to the supplier beyond the appointed day during the period	-	-
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act 2006	-	-
The amount of interest accrued and remaining unpaid at the end of each accounting year.	-	0.29
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under Section 23 of the MSMED Act, 2006	-	-

3. Trade payables ageing schedule:

As at March 31, 2024

	Unbilled/ Not due	Outstanding for following periods from the date of the transaction				Total
		Less than 1 year	1-2 years	2-3 years	More than 3 years	
Undisputed dues of						
- micro and small enterprises	-	73.95	-	-	-	73.95
- creditors other than micro and small enterprises	275.06	366.94	1.99	-	10.32	654.31
	275.06	440.89	1.99	-	10.32	728.26

As at March 31, 2023

	Unbilled/ Not due	Outstanding for following periods from the date of the transaction				Total
		Less than 1 year	1-2 years	2-3 years	More than 3 years	
Undisputed dues of						
- micro and small enterprises	-	28.47	0.02	-	0.28	28.77
- creditors other than micro and small enterprises	189.21	330.69	28.22	6.55	5.13	559.80
	189.21	359.16	28.24	6.55	5.41	588.57

Capillary Technologies India Limited
Notes to the Consolidated Financial Statements
(All amounts in Indian Rupees (₹) millions, unless otherwise stated)

20 Revenue from operations

Sale of services

	For the year ended March 31, 2024	For the year ended March 31, 2023
Retainership and other services	4,441.46	1,886.81
Installation income	977.97	770.15
Income from campaign services	483.02	569.85
Total revenue from operations	5,902.45	3,226.81

United states of America	3,079.87	817.86
United Kingdom	679.12	-
Other than United states of America	2,143.46	2,408.95
Total revenue from operations	5,902.45	3,226.81

20 Timing of revenue recognition

Services transferred over time	5,419.43	2,656.96
Services transferred at a point in time	483.02	569.85
	5,902.45	3,226.81

20 Contract balances

	As at March 31, 2024	As at March 31, 2023
Trade receivables (including unbilled revenue):		
-Current (Gross)	2,422.00	811.64
- Impairment allowance	53.33	10.53

Contract liabilities:-

Deferred revenue:		
-Current	1,256.66	398.56

Advance from customers:

-Current	30.88	-
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Movement in Contract assets - Unbilled revenue

As at April 01, 2023	124.31	114.07
Add: Satisfied performance obligations not invoiced	1,235.76	124.44
Less: Contract assets invoiced	(124.31)	(117.80)
Exchange differences - translation adjustment	8.40	3.6
As at March 31, 2024	1,244.16	124.31

Movement in Contract liabilities - Deferred revenue

As at April 01, 2023	398.56	336.10
Add: Revenue to be recognized from performance obligations to be satisfied in succeeding year	1,249.53	398.56
Less: Revenue recognized that was included in contract liability at the beginning of the year	(398.56)	(350.36)
Exchange differences - translation adjustments	7.13	14.26
As at March 31, 2024	1,256.66	398.56

Movement in Advance from customers

As at April 01, 2023	-	1.91
Add: Additions during the year	30.88	45.18
Less: Revenue recognized that was included at the beginning of the year	-	(47.09)
As at March 31, 2024	30.88	-

21 Other income

	For the year ended March 31, 2024	For the year ended March 31, 2023
Net gain on disposal/ discard of property, plant and equipment	0.51	0.06
Provisions/ liabilities no longer required written back	26.07	38.22
Gain on account of foreign exchange fluctuations (net)	-	25.40
Interest income on bank deposits	12.64	5.44
Interest income on income tax refund	2.58	9.71
Interest income on corporate deposits	6.50	-
Profit on sale of mutual fund	17.55	-
Fair value change in financials assets measured at fair value through statement of profit and loss	9.59	-
Interest income on security deposits	0.35	0.10
Other non-operating income	27.61	29.88
	103.40	108.81

Capillary Technologies India Limited
Notes to the Consolidated Financial Statements

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

22 Employee benefit expenses

	For the year ended March 31, 2024	For the year ended March 31, 2023
Salaries, wages and bonus	2,710.23	1,589.54
Contribution to provident and other funds (refer note 29)	156.14	67.78
Gratuity expenses (refer note 29)	20.75	16.53
Employee stock option expenses (refer note 30)	68.84	600.61
Staff welfare and training and recruitment expenses	152.94	56.76
	3,108.90	2,331.22

23 Finance costs

Interest on borrowings (refer note 33)	166.91	98.87
Interest on lease liabilities (refer note 31)	1.39	3.47
Interest - others	0.10	0.64
Bank charges	8.68	9.41
	177.08	112.39

24 Depreciation and amortisation expenses

Depreciation of property, plant and equipment (refer note 3)	27.60	23.73
Amortisation of intangible assets (refer note 4)	532.41	350.00
Depreciation of right-of-use assets (refer note 31)	22.18	21.95
	582.19	395.68

25 Other expenses

	For the year ended March 31, 2024	For the year ended March 31, 2023
Travelling and conveyance	123.05	59.73
Payment to auditors*	5.20	3.16
Provision for doubtful trade receivables and advances (including bad debts written off)	41.21	19.19
Selling and marketing expenses	110.92	122.32
Rates and taxes	19.72	22.31
Software and server charges	1,015.94	359.48
Loss on account of foreign exchange fluctuations (net)	26.85	-
Directors' sitting fees (refer note 33)	3.40	4.30
Property, plant and equipment written off	2.31	-
Miscellaneous expenses	91.84	45.85
	1,440.44	636.34

***Payment to auditors (exclusive of goods and services tax)**

As auditor:

Statutory audit	5.20	2.50
Special purpose audit		2.80
	5.20	5.30
Less: Recoverable from Ultimate Holding Company		(2.14)
	5.20	3.16

26 Exceptional items

Provisions/ liabilities no longer required written back	-	113.82
	-	113.82

As on March 31, 2023, the Acquired Enterprises i.e. Capillary Technologies LLC (formerly known as Persuade Loyalty LLC) did not achieve the earn out condition mentioned in the Acquisition Agreement and hence the contingent consideration was no longer payable. The Management of the Company, vide a Waiver and Consent Letter granted an agreed USD 0.83 million fully vested options of the Ultimate Holding Company and a cash payout of USD 0.38 million as a final settlement with the erstwhile shareholders and the investors of the Acquired Enterprises.

The balance cash payout of USD 2.12 million (₹ 113.82) which was no longer payable had been written back to the Consolidated Statement of Profit and Loss as "Exceptional items"

Capillary Technologies India Limited
Notes to the Consolidated Financial Statements

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

27 Income tax

The Parent Company is subject to income tax in India on the basis of financial statements of the Parent Company. Business loss can be carried forward for a maximum period of eight assessment years immediately succeeding the assessment year to which the loss pertains. Unabsorbed depreciation can be carried forward for an indefinite period. The foreign subsidiaries are subject to taxes as applicable in their respective geographies.

Income tax expenses in the Consolidated Statement of Profit and Loss consist of the following:

	For the year ended March 31, 2024	For the year ended March 31, 2023
(a) Current tax	25.78	(4.01)
(b) Deferred tax expense/ (Credit)		
- Deferred tax expense*	(6.79)	-
- Deferred Tax credit	(64.23)	(46.07)
	(45.24)	(50.08)

* Deferred tax assets on business losses and unabsorbed depreciation is not recognised for Parent Company since it is not probable that the taxable profit of Parent Company will be available against which the unutilised tax losses and temporary differences can be utilised, as assessed at March 31, 2024.

Reconciliation of taxes to the amount computed by applying the Parent Company's domestic tax rate to the income before taxes is summarised below:

	For the year ended March 31, 2024	For the year ended March 31, 2023
Loss before taxes	(639.02)	(927.04)
Applicable tax rates in India	25.17%	25.17%
Computed tax charge	(160.83)	(233.38)
Tax effect on business losses and unabsorbed depreciation on which deferred tax has not been accounted	160.83	233.38
Provision for /(reversal) of tax of foreign subsidiaries on a standalone basis	25.78	(4.01)
Total tax expense	25.78	(4.01)
Income tax reported in the Consolidated Statement of Profit and Loss	25.78	(4.01)

Expiration of losses carried forward

	As at March 31, 2024	As at March 31, 2023
March 31, 2024	104.56	104.56
March 31, 2025	191.92	191.92
March 31, 2026	76.98	76.98
March 31, 2028	1.50	2.55
March 31, 2029	37.88	37.88
March 31, 2030	28.10	28.10
March 31, 2031	793.31	-
March 31, 2032	61.51	61.51

i) The Parent Company has unabsorbed depreciation loss of ₹ 292.39 (March 31, 2023: ₹ 134.15) which can be carried forward indefinitely

Capillary Technologies India Limited
Notes to the Consolidated Financial Statements

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

28 Earnings / (Loss) per share (EPS)

Basic EPS is calculated by dividing the loss for the year attributable to equity shareholders of the Parent Company by the weighted average number of equity shares outstanding during the year. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting years. The weighted average number of equity shares outstanding during the years is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split (consolidation of shares) that have changed the number of equity shares outstanding, without a corresponding change in resources.

Diluted EPS is calculated by dividing the profit attributable to equity shareholders by the weighted average number of equity shares outstanding during the years plus the weighted average number of equity shares that would be issued on conversion of all the dilutive potential equity shares into equity shares. Potential ordinary shares are antidilutive when their conversion to ordinary shares would increase earnings per share or decrease loss per share from continuing operations. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential ordinary shares that would have an antidilutive effect on earnings per share

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

	For the year ended March 31, 2024	For the year ended March 31, 2023
Face value of equity shares (₹ per share)	2.00	2.00
(Loss) attributable to equity shareholders of the Parent Company for basic/ diluted EPS (₹ in million) (a)	(593.78)	(877.19)
Weighted average number of equity shares used for computing EPS (basic) (in millions) (b)**	56.27	50.04
EPS- Basic (₹) (d=a/b)	(10.55)	(17.53)
EPS- Diluted (₹) (e=a/c)*	(10.55)	(17.53)

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

** Also refer note 12

29 Gratuity and other post-employment benefit plans

I) Defined contribution plan

The Group's contribution to provident fund and other funds are considered as defined contribution plans. The contributions are charged to the Consolidated Ind AS statement of Profit and Loss as they accrue. Contributions to provident and other funds included in employee benefit expenses (refer note 22) are as under:

	For the year ended March 31, 2024	For the year ended March 31, 2023
Contribution to provident and other funds	156.14	67.78
	156.14	67.78

II) Defined benefit plan

Gratuity

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

The Group also operates an unfunded defined benefit gratuity plan for all of its qualifying employees in Dubai. The Company has determined estimated liabilities for employee benefits for meeting the minimum benefits required to be paid to the qualifying employees as required under UAE Labour Law. Under UAE Labour Law, if an employee served for more than 1 year but less than 5 years, the employee is entitled to 21 days' salary for each completed year of service and if an employee has served for more than 5 years, the employee is entitled to 30 days' of salary for each completed year of service.

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

	As on and for the year ended March 31, 2024	As on and for the year ended March 31, 2023
i. Net benefit expenses (recognised in the Consolidated Statement of Profit and Loss)		
Current service cost	17.03	13.87
Interest cost on defined benefit obligation	3.72	2.66
Net benefit expenses	20.75	16.53
ii. Remeasurement loss / (gain) recognised in other comprehensive income (OCI):		
Actuarial loss on obligations arising from changes in experience adjustments	3.29	5.89
Actuarial (gain) on obligations arising from changes in financial assumptions	0.77	(0.97)
Actuarial loss recognised in OCI	4.06	4.92
iii. Net defined benefit (liability)		
Defined benefit obligation	(79.13)	(64.82)
Fair value of plan assets	-	-
Plan (liability)	(79.13)	(64.82)

29 Gratuity and other post-employment benefit

II) Defined benefit plan (cont'd)

	March 31, 2024	March 31, 2023
iv. Changes in the present value of the defined benefit obligation are as follows		
Opening defined benefit obligation	64.82	48.96
Current service cost	17.03	13.87
Interest cost on the defined benefit obligation	3.72	2.66
Benefits paid	(10.50)	(5.59)
Actuarial loss on obligations arising from changes in experience adjustments	3.29	5.89
Actuarial (gain) on obligations arising from changes in financial assumptions	0.77	(0.97)
Closing defined benefit obligation	79.13	64.82

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

Within the next 12 months	13.96	11.50
Between 1 and 2 years	10.68	8.87
Between 2 and 3 years	8.36	6.85
Between 3 and 4 years	6.52	5.32
Between 4 and 5 years	5.12	4.18
Between 6 and 10 years	15.68	13.00
Beyond 10 years	48.37	37.47
Expected cash outflow in future years	108.69	87.19

The average duration of the defined benefit plan obligation at the end of the reporting period is 5.65 years (March 31, 2023: 6.99 years)

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

Discount rate (in %)	7.19%	7.43%
Salary escalation rate (in %)	10.00%	10.00%
Employee turnover/ withdrawal rate	30.00%	30.00%
Retirement age	58	58
Mortality rate	Indian Assured Lives Mortality (2012-14) Ultimate	Indian Assured Lives Mortality (2012-14) Ultimate

Notes:

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

ii) Plan characteristics and associated risks:

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

- Discount rate risk : The defined benefit obligation calculated uses a discount rate based on government bonds. If bond yields fall, the defined benefit obligation will tend to increase
- Salary inflation risk : Higher than expected increases in salary will increase the defined benefit obligation
- Demographic risk : This is the risk of variability of results due to unsystematic nature of decrements that include mortality, withdrawal, disability and retirement. The effect of these decrements on the defined benefit obligation is not straight forward and depends upon the combination of salary increase, discount rate and vesting criteria. It is important not to overstate withdrawals because in the financial analysis the retirement benefit of a short career employee typically costs less per year as compared to a long service employee.

vii. A quantitative sensitivity analysis for significant assumption as at March 31, 2024 is as shown below:

	March 31, 2024	March 31, 2023
Discount rate		
Impact on defined benefit obligation due to 1% increase in discount rate	(3.31)	(2.57)
Impact on defined benefit obligation due to 1% decrease in discount rate	3.70	2.86
Salary escalation rate		
Impact on defined benefit obligation due to 1% increase in salary escalation rate	1.96	1.57
Impact on defined benefit obligation due to 1% decrease in salary escalation rate	(1.94)	(1.62)
Attrition rate		
Impact on defined benefit obligation due to 1% increase in attrition rate	(0.31)	(0.23)
Impact on defined benefit obligation due to 1% decrease in attrition rate	0.30	0.21

29 Gratuity and other post-employment benefit plans (cont'd)

II) Defined benefit plan (cont'd)

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

30 Share-based payments

Description of the share based payment arrangements

The Group has the following share based payment arrangements:

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

The shareholders of the Ultimate Holding Company dated August 10, 2015 had approved the General Employee Share Option Plan (GESP) for the granting of non-transferable options that are settled by physical delivery of the ordinary shares of the Ultimate Holding Company, subject to certain restrictions, to eligible employees.

Under GESP, all employees are entitled to a grant of options once they have been in service and eligible based on conditions determined by the Board. The vesting of the options is prorated over a period of four years. The exercise price of the options is Nil. The contractual life of the options is ten years. 25% of the share options granted on each grant date will vest at the end of one year. Subsequently, 6.25% of the share options granted shall vest at the end of each quarter thereon till all share options are vested. These options expire within 10 years from the date of grant.

The fair value of the share options granted under the GESP is estimated at the grant date using Black-Scholes method, taking into account the terms and conditions upon which the share options were granted. The fair value of the grants granted under the GESP Scheme during the year ended March 31, 2023 has been estimated based on the fair value of USD 5.449 per options considered for the purpose of acquisition of another Company for which purchase consideration was partly settled in form of options granted under the GESP Scheme.

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

Movement during the year

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

	March 31, 2024		March 31, 2023	
	Number of options (in millions)	WAEP (₹ in millions)	Number of options (in millions)	WAEP (₹ in millions)
Options outstanding at the beginning of the year	3.38	-	2.08	-
Granted during the year	0.05	-	1.30	-
Forfeited / lapsed during the year	-	-	-	-
Buyback during the year	(2.92)	-	-	-
Cancelled during the year	-	-	-	-
Exercised during the year	-	-	-	-
Options outstanding at the end of the year	0.51	-	3.38	-
Exercisable at year end	0.51	-	3.38	-

The options outstanding as at March 31, 2024 had an exercise price of Nil and the weighted average remaining contractual life of Nil years

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

	March 31, 2024	March 31, 2023
Dividend yield (%)	0%	0%
Expected volatility (%)	31.76%-86.38%	31.76%-86.38%
Risk-free interest rate (% p.a)	1.43%-2.28%	1.43%-2.28%
Expected life of the option (years)	5-7	5-7
Weighted average share price post DLOM and DLOC	USD 1.23-5.45	USD 1.23-5.45

The Ultimate Holding Company had granted stock options to employees of the Group under ESOP plans as detailed in note 30(A) above. The Ultimate Holding Company has an obligation to settle the transaction with the employees of the Group by providing its own equity shares. Therefore, in accordance with Ind AS 102, the Group had measured its expense in accordance with the requirements applicable to equity settled share-based payment transaction.

30 Share-based payments (cont'd)

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

The shareholders of Parent Company on October 29, 2021 had approved the 'Capillary Employees Stock Option Scheme' - 2021 (CESP). The plan provides for the issue of 7,175,000 options to eligible employees and eligible directors of the Capillary Group. Capillary Group shall mean the Parent Company and its wholly owned subsidiaries, either existing or as may be incorporated from time to time and its Ultimate Holding Company and any successor company thereof.

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

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

Measurement of fair values

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

The following table lists the inputs to the option pricing models for the period ended March 31, 2024:

	March 31, 2024	March 31, 2023
Dividend yield (%)	0%	0%
Expected volatility (%)	62.40%	62.40%
Risk-free interest rate (% p.a.)	7.12%	7.27%
Expected life of option (years)	5.5	5.57 - 6.25
Weighted average share price as per Pre Discount for Lack of Marketability ("DLOM") & Pre Discount for	₹ 308	₹ 376- ₹ 308
Weighted average share price as per Post DLOM & Post DLOC	₹ 297.25	₹355.96 - ₹ 298.8

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

Movements during the year

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

	March 31, 2024		March 31, 2023	
	Number of options (in millions)	WAEP	Number of options (in millions)	WAEP
Options outstanding at the beginning of the year	3.23	0.26	3.74	0.05
Granted during the year	0.19	2.00	1.04	0.73
Forfeited / lapsed during the year	(1.04)	0.98	(1.55)	0.06
Cancelled				
Exercised during the year	(0.57)	2.00	-	-
Expired during the year	-	-	-	-
Options outstanding at the end of the year	1.81	0.12	3.23	0.26
Exercisable at year end	1.37		2.01	

The weighted average remaining contractual life of 7.72 years for vested options and 8.27 years for unvested options.

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Capillary Technologies India Limited
Notes to the Consolidated Financial Statements

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

30 Share-based payments (cont'd)

C RSU Plan 2023 ('CESP')

On March 7, 2023, Capillary's Board of Directors approved the Restricted Stock Units (RSUs) for grant of RSUs to employees of the Group. The RSU Rules shall apply to RSUs granted under the Scheme to eligible Employees and eligible Directors who are tax residents of the United States of America or otherwise subject to income taxation by the United States of America (each a "U.S. Person").

No RSU shall vest before 1 year from the date of grant or later than 7 years from the from the end of the calendar year in which RSUs are granted to the Eligible employees.

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

	March 31, 2024		March 31, 2023	
	Number of options	WAEP	Number of options	WAEP
Options outstanding at the beginning of the year	-	-	-	-
Granted during the year	0.21	2.00	-	-
Forfeited / lapsed during the year	(0.06)	2.00	-	-
Cancelled				
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Options outstanding at the end of the year	0.15	2.00	-	-
Exercisable at year end	-	-	-	-

The weighted average remaining contractual life of nil years for vested options and 9.21 years for unvested options.

D Employee stock option expenses

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

	March 31, 2024	March 31, 2023
Arising from equity settled share based payment transaction of CESP recognised in Employee benefit expenses (refer note 22)	68.84	600.61
Arising from equity settled share based payment transaction of GESP recognised in Employee benefit expenses (refer note 22)	-	-

* Excludes ₹ 10.24 (March 31, 2023: ₹ 38.82) on account of expense arising from equity settled share based payment transaction of CESP recognised in internally generated intangible assets

The Parent Company has granted stock options to the employees of Capillary Group under ESOP Plan as detailed in note 30(B) above. The Parent Company has an obligation to settle the transaction with the employees of the Capillary group by providing its own equity shares. Therefore, in accordance with Ind AS 102, the Parent Company has measured its expense in accordance with the requirements applicable to equity-settled share-based payment transaction.

31 Leases

I. Company as a lessee

The Group has lease contracts for office facilities. The lease term of the office facilities is generally 1-3 years. The Group also has certain leases of offices with lease terms of 12 months or less or low value. The Group applies the leases of low value assets and short term leases recognition exemptions for these leases.

The Group has lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

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

	Office premises	
	March 31, 2024	March 31, 2023
Opening balance	18.07	35.84
Additions	38.58	5.45
Charge for the period	(22.18)	(21.95)
Modification of right-of-use assets/other adjustments	(4.39)	-
Translation adjustments	0.05	(1.27)
Closing balance	30.13	18.07

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

	March 31, 2024	March 31, 2023
Opening balance	20.04	36.98
Additions	38.58	5.45
Accretion of interest	1.39	3.47
Payments	(24.23)	(26.68)
Modification of lease liabilities	(4.37)	-
Translation adjustments	0.02	0.82
Closing balance	31.43	20.04

The same is shown under:

	March 31, 2024	March 31, 2023
Current	23.42	17.94
Non-current	8.01	2.10
	31.43	20.04

The maturity analysis of lease liabilities are disclosed in note 35.

The effective interest rate for lease liabilities is 9.5% to 14.35%.

Amounts recognised in the Consolidated Statement of Profit and Loss

	For the year ended March 31, 2024	For the year ended March 31, 2023
Depreciation on right-of-use assets	22.18	21.95
Interest on lease liabilities	1.39	3.47
	23.57	25.42

Amounts recognised in the Consolidated Cash Flow Statement

	For the year ended March 31, 2024	For the year ended March 31, 2023
Total outflow for leases - principal	22.84	23.54
Total outflow for leases - interest	1.39	3.14
	24.23	26.68

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Capillary Technologies India Limited

Notes to the Consolidated Financial Statements

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

32 Contingent liabilities

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

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

A Guarantees outstanding:

Particulars

Bank guarantees outstanding

Total

	March 31, 2024	March 31, 2023
	3.91	4.68
Total	3.91	4.68

B The Honorable Supreme Court of India in the month of February 2019 had passed a judgement relating to definition of wages under the Provident Fund Act, 1952. The management is of the view that there are interpretative challenges on the application of the judgement retrospectively. In the absence of reliable measurement of the provision for earlier years, the Group has made a provision for provident fund contribution pursuant to the judgement only from the date of Supreme Court Order. The Group will evaluate its position and update its provision, if required, on receiving further clarity on the subject. The Group does not expect any material impact of the same.

33 Related party disclosures

a) Names of the related parties and description of relationship

Nature of relationship	Name of the party
Related party where control exists	Capillary Technologies International Pte. Ltd., Singapore (Ultimate Holding Company)
A private company in which Key Managerial Personnel or their relatives is a member or director	Ms. Biotech Private Limited
Key managerial personnel and their relatives (where transactions have taken place)	Mr. Aneesh Reddy Boddu, Executive Director and Chief Executive Officer (upto December 31, 2022, re-appointed w.e.f. April 1, 2024) and Managing Director (w.e.f. January 01, 2023) Mr. Anant Choubey, Executive Director, Chief Operating Officer and Chief Financial Officer (w.e.f. September 02, 2022) Mr. Alok Choubey, Relative Mr. Satish Kumar Choubey, Relative Mr. Venkat Ramana Tadanki, Independent Director Mrs. Neelam Dhawan, Independent Director Mr. Sameer Garde, Independent Director (upto December 31, 2022) and Executive director and CEO (w.e.f. January 01, 2023 till March 31,2024) Mrs. Yamini Preethi Natti, Independent Director Mr. Farid Lalji Kazani, Independent Director Mr. Mahendra Chordia, Chief Financial Officer (upto May 13, 2022) Mrs. G. Bhargavi Reddy, Company Secretary Mr. Mohan Reddy Boddu, Relative Mr. Aditya Reddy Boddu, Relative Ms. Pavani Reddy Boddu, Relative Ms. Janaki Munjuluri Rao, Relative

33 Related party disclosures (cont'd)

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

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
1) Transactions during the year		
a) Interest on borrowings		
Capillary Technologies International Pte. Ltd., Singapore	11.92	19.19
Ms Biotech Private Limited	0.51	4.93
b) Directors' sitting fees		
Mr. Venkat Ramana Tadanki	0.90	0.90
Mrs. Neelam Dhawan	1.00	1.20
Mr. Sameer Garde	-	0.60
Mrs. Yamini Preethi Natti	0.70	0.60
Mr. Farid Lalji Kazani	0.80	1.00
c) Issuance of equity shares (including securities premium)		
Capillary Technologies International Pte. Ltd., Singapore	573.52	-
Mr. Mohan Reddy Boddu	-	0.02
Mr. Anant Choubey	8.66	0.02
Mr. Aditya Reddy Boddu	-	0.01
Mr. Mahendra Chordia (upto May 13, 2022)	-	0.01
Mr. Sameer Garde	1.42	-
Mr. Satish Kumar Choubey	-	0.01
Mr. Aneesh Reddy Boddu	136.19	-
d) Expenditure incurred by the Company on behalf of others		
Reasoning Global eApplications Private Limited, India	-	0.12
e) Expenditure incurred by the Group on behalf of Ultimate Holding Company		
Capillary Technologies International Pte. Ltd., Singapore	16.15	29.72
f) Borrowings from private company in which Key Managerial Personnel or their relatives is a member or director		
Ms Biotech Private Limited	-	100.00
g) Repayment of borrowing from private company in which Key Managerial Personnel or their relatives is a member or director		
Ms Biotech Private Limited	50.00	50.00
h) Loan from director		
Mr. Aneesh Reddy Boddu	-	50.00
i) Repayment of loan from director		
Mr. Aneesh Reddy Boddu	-	50.00
j) Professional and consultancy expenses		
Mr. Sameer Garde	-	4.91
k) Other non-operating income		
Capillary Technologies International Pte. Ltd., Singapore	16.58	9.19
l) Remuneration to key managerial personnel and their relatives (including employee stock option expenses)		
Mr. Anant Choubey	16.87	72.73
Mr. Aneesh Reddy Boddu	133.61	240.21
Mr. Mahendra Chordia	-	2.16
Mrs. G. Bhargavi Reddy	5.50	4.98
Mr. Sameer Garde	11.17	10.57

33 Related party disclosures (contd.)

2) Outstanding balances as at year end:

Particulars	March 31, 2024	March 31, 2023
a) Trade payable		
Capillary Technologies International Pte. Ltd., Singapore	-	39.99
b) Other receivables from related parties		
Capillary Technologies International Pte. Ltd., Singapore	2.66	145.76
Reasoning Global eApplications Private Limited, India	0.15	0.12
c) External commercial borrowings		
Capillary Technologies International Pte. Ltd., Singapore	-	179.22
d) Unsecured loan from body corporate		
Ms Biotech Private Limited (including interest accrued)	-	50.48
e) Corporate guarantees taken from the Ultimate Holding Company		
Capillary Technologies International Pte. Ltd., Singapore	352.48	805.00

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

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

Share based payments plan	Exercise price	Number Outstanding	Number Outstanding
		March 31, 2024	March 31, 2023
Capillary Employees Stock Option Scheme' - 2021 ('CESP')	-	1.23	1.65

No share options have been granted to the non-executive members of the Board of Directors under the share based payments plans the Parent Company. Refer to Note 30 for further details on CESP.

Notes:-

- The transactions with related parties are made by the Group on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year end are unsecured and settlement occurs in cash.
- As the liability for gratuity and leave encashment is provided on an actuarial basis for the Group as a whole, the amount pertaining to remuneration to the key managerial personnel are not ascertainable and, therefore, not disclosed above.
- In respect of the transactions with the related parties, the Company has complied with the provisions of Section 188 and Section 177 of the Companies Act, 2013 where applicable, and the details have been disclosed above, as required by the applicable accounting standards
- Refer note 14 for borrowings with regard to securities given by the Ultimate Holding Company for the loan facility availed by the Parent Company.
- The above information has been determined to the extent such parties have been identified on the basis of information available with the Group.

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

(a) Information about reportable segments

Basis of identifying operating segments / reportable segments:

(i) Basis of identifying operating segments:

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

(ii) Reportable segments:

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

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

34 Segment information - Disclosure pursuant to Ind AS 108 'Operating Segments' (cont'd)

(b) Geographical information

	Revenue from operations*	
	For the year ended March 31, 2024	For the year ended March 31, 2023
United States of America	3,079.87	817.86
United Kingdom	679.12	-
Other than United States of America	2,143.46	2,408.95
Total	5,902.45	3,226.81

(b) Geographical information (cont'd)

	Non-current assets**	
	March 31, 2024	March 31, 2023
United States of America	13.06	10.01
United Kingdom	3.01	-
Other than United States of America	2,817.44	2,897.32
Total	2,833.51	2,907.33

*Revenue by geographical area are based on the geographical location of the customers.

**Non-current assets excludes financial instruments and income tax assets.

35 Financial instruments

This section gives an overview of the significance of financial instruments for the Group and provides additional information on Consolidated Balance Sheet items that contain financial instruments.

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

(a) Financial assets and liabilities

The management assessed that cash and bank balances, trade receivables, trade payables, and other current financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. Non-current financial assets and liabilities are discounted using an appropriate discounting rate where the time value of money is material. There are no financial instruments which are measured at fair value through profit and loss or fair value through other comprehensive income as at March 31, 2024

The following tables presents the carrying value and fair value of each category of financial assets and liabilities as at March 31, 2024 and March 31, 2023

As at March 31, 2024	Carrying value	Level 1	Level 2	Level 3	Total
Financial assets					
(i) Investments	699.25	-	699.25	-	699.25
(ii) Trade receivables	2,368.67	-	-	-	-
(iii) Cash and cash equivalents	1,806.68	-	-	-	-
(iv) Loans receivable	399.99	-	-	-	-
(v) Other financial assets	172.49	-	-	-	-
Total	5,447.08	-	699.25	-	699.25
Financial liabilities					
(i) Borrowings	771.66	-	-	-	-
(ii) Trade payables	728.26	-	-	-	-
(iii) Lease liabilities	31.43	-	-	-	-
(iv) Other financial liabilities	223.36	-	-	-	-
Total	1,754.71	-	-	-	-
As at March 31, 2023					
Financial assets					
(i) Investments	-	-	-	-	-
(ii) Trade receivables	801.11	-	-	-	-
(iii) Cash and cash equivalents	462.00	-	-	-	-
(iv) Loans receivable	-	-	-	-	-
(v) Other financial assets	159.07	-	-	-	-
Total	1,422.18	-	-	-	-
Financial liabilities					
(i) Borrowings	1,474.71	-	-	-	-
(ii) Trade payables	588.57	-	-	-	-
(iii) Lease liabilities	20.04	-	-	-	-
(iv) Other financial liabilities	148.79	-	-	-	-
Total	2,232.11	-	-	-	-

35 Financial instruments (cont'd)

(b) Fair value hierarchy

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

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

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

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

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

(iii) There have been no transfers between Level 1, Level 2 and Level 3 for the period ended March 31, 2024.

(c) Financial risk management objectives and policies

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

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

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

Market risk

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

(1) Market risk- Interest rate risk

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

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

Particulars	March 31, 2024	March 31, 2023
Fixed rate instruments:		
Financial liabilities	336.46	935.63
Variable rate instruments:		
Financial liabilities	435.20	539.08

Interest rate sensitivity

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

Particulars	Increase/decrease in basis points	For the year ended March 31, 2024	For the year ended March 31, 2023
Interest rate fluctuation	+50	(2.18)	(2.70)
Interest rate fluctuation	-50	2.18	2.70

Capillary Technologies India Limited

Notes to the Consolidated Financial Statements

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

35 Financial instruments (cont'd)

(2) Market risk- Foreign currency risk

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

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

Particulars	March 31, 2024		March 31, 2023	
	Amount in foreign currency (in millions)	Amount in ₹	Amount in foreign currency (in million)	Amount in ₹
Trade receivables				
USD	22.98	1,913.02	0.60	45.88
HKD	-	-	0.22	2.27
MYR	0.01	0.22	0.08	0.37
SGD	0.25	13.60	0.34	21.27
THB	0.10	0.24	11.63	19.13
GBP	1.26	132.50	-	-
EUR	0.15	13.49	-	-
Other receivables from related parties				
USD	-	-	2.12	174.12
Cash and cash equivalents				
USD	12.17	1,014.42	0.00	0.26
SGD	0.01	0.64	0.03	1.74
GBP	0.61	64.69	-	-
Security deposits				
SGD	0.01	0.59	0.02	1.36
USD	0.02	1.92	-	-
GBP	0.22	22.92	-	-
Borrowings				
USD	0.17	13.90	2.18	179.22
Trade payables				
USD	2.42	201.96	7.18	589.91
SGD	1.19	73.49	1.64	246.41
MYR	-	-	0.01	0.15
THB	-	-	0.01	0.04
GBP	0.71	75.16	-	-
AUD	0.00	0.20	-	-
BDT	0.00	0.00	-	-
Other current financial liabilities				
SGD	0.50	30.67	0.03	2.02
USD	9.97	830.72	-	-
GBP	0.42	44.40	-	-

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35 Financial instruments (cont'd)

Foreign currency sensitivity

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

Particulars	Change in currency	Effect on profit or loss before tax	
		Strengthening	Weakening
March 31, 2024			
USD	5%	94.04	(94.04)
SGD	5%	(4.47)	4.47
MYR	5%	0.01	(0.01)
THB	5%	0.01	(0.01)
EUR	5%	0.67	(0.67)
GBP	5%	5.03	(5.03)
AUD	5%	(0.01)	0.01
March 31, 2023			
USD	5%	(27.44)	27.44
SGD	5%	(2.50)	2.50
MYR	5%	0.01	(0.01)
THB	5%	0.95	(0.95)
HKD	5%	0.11	(0.11)
EUR	5%	0.04	(0.04)

The sensitivity analysis has been based on the composition of the Group's financial assets and liabilities at March 31, 2024 and March 31, 2023. The year end balances are not necessarily representative of the average debt outstanding during the year.

(ii) Credit risk

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

The carrying value of financial assets represents the maximum credit risk. The maximum exposure to credit risk was ₹ 5,447.08 (March 31, 2023: ₹ 1,422.18), being the total carrying value of trade receivables, cash and cash equivalents, bank balances and other financial assets of the Group.

Customer credit risk is managed based on the Group's established policy, procedures and control relating to customer credit risk management. An impairment analysis is performed at each reporting date on an individual basis for major customers. The Group does not hold collateral as security.

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

Refer note 8.1 for movement in expected credit loss for the year ended March 31, 2024

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

(d) Liquidity risk

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

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

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

Capillary Technologies India Limited
Notes to the Consolidated Financial Statements

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

35 Financial instruments (cont'd)

(d) Liquidity risk (cont'd)

Particulars	0 - 1 years	1 to 5 years	> 5 years	Total
March 31, 2024				
Borrowings (refer note 14)	735.33	32.84	8.11	776.28
Lease liabilities	23.33	10.11	-	33.44
Trade payables	728.26	-	-	728.26
Other financial liabilities	204.83	18.53	-	223.36
	1,691.75	61.48	8.11	1,761.34
March 31, 2023				
Borrowings (refer note 14)	1,026.10	417.81	8.02	1,451.93
Lease liabilities	19.14	2.10	-	21.24
Trade payables	588.57	-	-	588.57
Other financial liabilities	130.26	18.53	-	148.79
	1,764.07	438.44	8.02	2,210.53

Notes:

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

36 Capital management

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

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

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

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

Particulars	March 31, 2024	March 31, 2023
Borrowings (refer note 14)	771.66	1,474.71
Less: Cash and cash equivalents (refer note 9)	(1,806.68)	(462.00)
Total debts (A)	(1,035.02)	1,012.71
Equity share capital (refer note 12)	146.46	105.79
Other equity (refer note 13)	5,019.64	1,558.64
Total capital (B)	5,166.10	1,664.43
Capital and borrowings C= (A+B)	4,131.08	2,677.14
Gearing ratio (%) D= (A/C)	NA	37.83%

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

During the year ended March 31, 2024, the Group had repaid certain borrowings with the amount of funds raised during the year in order to de-leverage the balance sheet. Further, owing to right issues by the parent company and certain advances received from the customer in a subsidiary at the end of March 2024, the Cash and cash equivalents have increased considerably, leading to Gearing ratio being in the negative.

No changes were made in the objectives, policies or processes for managing capital during the year ended March 31, 2024.

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Capillary Technologies India Limited
Notes to the Consolidated Financial Statements

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

37 Business Combinations

(a) Acquisitions during the year

1. On March 31, 2023, Capillary Technologies LLC (subsidiary of Capillary Pte. Ltd, wholly owned subsidiary of the Company) executed a Stock Purchase Agreement with Nomura Research Institute Holdings America, Inc. and Brierley & Partners, Inc for acquisition of 100% membership interest and shareholding of Capillary Brierley Inc (formerly known as Brierley & Partners, Inc) w.e.f. April 1, 2023. Brierley & Partners, Inc was the holder of all the issued and outstanding equity interests of Brierley Europe Limited). On March 31, 2023, Capillary Pte. Ltd. executed a Share Purchase Agreement with Brierley & Partner, Inc for acquisition of 100% membership interest and shareholding of Capillary Technologies Europe Limited (formerly known as Brierley Europe Limited) w.e.f. April 1, 2023.

Assets acquired

The fair value of identifiable assets and liabilities of the group i.e. Capillary Brierley Inc (formerly known as Brierley & Partners, Inc) and Capillary Technologies Europe Limited (formerly Brierley Europe Limited) are shown below:

	Balance recognised on acquisition
Assets and liabilities	
Net tangible assets acquired	289.15
Identified intangible assets acquired	479.38
Deferred tax liability on identified intangibles on purchase consideration	(101.72)
Goodwill	159.49
Purchase Consideration	826.30
Purchase Consideration	
Consideration paid in cash	472.44
Consideration paid for settlement of debt and debt like items	353.86
	826.30

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

- (i) The primary reason for the acquisition is the enhancement of Loyalty business in the United States of America (USA) and United Kingdom (UK.)
- (ii) No contingent liabilities have been recognised.
- (iii) There are no such transactions that are recognized separately from the acquisition of assets and assumption of liabilities in the business combination.
- (iv) the above business combination is not achieved in stages.
- (v) Goodwill is not tax deductible.

(b) Asset purchase during the year

The Asset Purchase Agreement (Global APA) was signed between Tenergy LLC (Seller) and Capillary Pte Ltd on May 4, 2023, for the sale of certain identified assets to CPL. On the closing date, i.e., June 1, 2023, the identified asset purchase was completed. The global APA also provided for affiliates of Tenergy to sell certain identified assets to CPL and its affiliates.

With the understanding set out in the Global APA, Capillary Technologies India Limited (Parent company of CPL) and Tenergy India Private Limited (wholly owned subsidiary of Tenergy LLC, USA) entered into an agreement on June 1, 2023 (Closing date) for purchase from the Seller, the identified Assets on an itemized sale basis.

Assets acquired

The fair value of identifiable assets and liabilities purchased from Tenergy group are shown below:

	Balance recognised on acquisition
Assets and liabilities	
Net intangible assets acquired	257.31
Purchase Consideration	257.31
Purchase Consideration	
Consideration paid in cash	257.31
	257.31

37 Business Combinations (cont'd)

(c) Goodwill impairment

Impairment analysis was performed for the goodwill on consolidation. The recoverable amount was determined using value in use of the cash generating units. The recoverable amount exceeds the carrying value, accordingly no impairment charges were identified for year ended March 31, 2024 and March 31, 2023.

Following key assumptions were considered while performing impairment testing:

Weighted Average Cost of Capital % (WACC) 28%

Perpetual growth rate 4%

The growth rates used to estimate future performance are based on the conservative estimates from past performance.

The projections cover a period of five years, as we believe this to be the most appropriate time scale over which to review and consider annual performances before applying a fixed terminal value multiple to the final year cash flows.

- 38** The Ministry of Corporate Affairs (MCA) has prescribed a new requirement for companies under the proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 inserted by the Companies (Accounts) Amendment Rules, 2021 requiring companies, which uses accounting software for maintaining its books of account, shall use only such accounting software which has a feature of recording audit trail of each and every transaction, creating an edit log of each change made in the books of account along with the date when such changes were made and ensuring that the audit trail cannot be disabled.

The Parent Company has used accounting software operated by third-party service providers for maintenance of accounting and payroll records which have a feature of recording audit trail (edit log) facility and the same have operated throughout the year at application level for all relevant transactions recorded in the software.

The Parent Company has obtained the 'Independent Service Auditor's Assurance Reports on the Description of Controls, their Design and Operating Effectiveness' ('Type 2 report' issued in accordance with ISAE 3402, Assurance Reports on Controls at a Service Organization and ISAE 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information) for the year ended March 31, 2024. Both the reports do not provide information on availability of audit trail at database level.

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Capillary Technologies India Limited

Notes to the Consolidated Financial Statements

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

39 Statutory group information

No	Name of the entity in the Group	Country of incorporation	Relationship as at March 31, 2024	% of effective ownership interest held (directly & indirectly) and voting rights		Net assets, i.e., total assets minus total liabilities				Share in total comprehensive income			
						March 31, 2024		March 31, 2023		March 31, 2024		March 31, 2023	
						As % of consolidated net assets*	₹ in millions	As % of consolidated net assets*	₹ in millions	As % of total comprehensive income*	₹ in millions	As % of total comprehensive income*	₹ in millions
Parent Company													
1	Capillary Technologies India Limited	India	Parent Company			90.11%	4,655.02	123.19%	2,050.35	94.84%	(527.40)	96.00%	(905.56)
Foreign Subsidiaries													
2	Capillary Pte. Ltd	Singapore	Subsidiary	100%	100%	57.24%	2,957.01	152.94%	2,545.64	(5.35%)	29.76	23.76%	(224.13)
3	Capillary Technologies DMCC, UAE	UAE	Subsidiary	100%	100%	(1.96%)	(101.23)	(39.56%)	(658.48)	(3.50%)	19.46	4.12%	(38.85)
4	Capillary Technologies Shanghai Co. Ltd, China	China	Subsidiary	100%	100%	0.02%	1.15	0.32%	5.38	1.58%	(8.79)	1.39%	(13.10)
5	Capillary Technologies (Malaysia) Sdn Bhd, Malaysia	Malaysia	Subsidiary	100%	100%	(1.43%)	(73.82)	4.89%	81.33	(0.66%)	3.65	0.18%	(1.72)
6	PT Capillary Technologies Indonesia, Indonesia	Indonesia	Subsidiary	100%	100%	(0.91%)	(47.17)	(2.96%)	(49.32)	(0.27%)	1.49	(0.03%)	0.25
7	Capillary Technologies LLC (formerly known as 'Persuade Loyalty LLC')	USA	Subsidiary	100%	100%	40.75%	2,105.05	44.69%	743.82	(35.81%)	199.15	3.08%	(29.02)
8	Capillary Brierley Inc. (formerly known as Brierley & Partners, Inc)	USA	Subsidiary	100%	0%	5.53%	285.90	-	-	14.50%	(80.66)	-	-
9	Capillary Technologies Inc.	USA	Subsidiary	100%	0%	0.25%	13.13	-	-	(3.97%)	22.07	-	-
10	Capillary Technologies Europe Limited (formerly known as Brierley Europe Limit United Kingdon Subsidiary		Subsidiary	100%	0%	2.89%	149.35	-	-	3.35%	(18.65)	-	-
Sub Total						192.49%	9,944.39	283.50%	4,718.72	64.72%	(359.92)	128.50%	(1,212.13)
Consolidation adjustments/ eliminations**						(92.49%)	(4,778.29)	(183.50%)	(3,054.29)	35.28%	(196.20)	-28.50%	268.86
Total						100.00%	5,166.10	100.00%	1,664.43	100.00%	(556.12)	100.00%	(943.27)

* The figures have been considered from the respective financial statements.

** Consolidation adjustments/eliminations include intercompany eliminations and consolidation adjustments.

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Capillary Technologies India Limited
Notes to the Consolidated Financial Statements

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

40 The Parent Company is in the process of conducting a transfer pricing study as required by the transfer pricing regulations under the Income Tax Act 1961 ('regulations') to determine whether the transactions entered during the year ended March 31, 2024 with the associated enterprises were undertaken at "arm's length price". The management confirms that all the transactions with associate enterprises are undertaken at negotiated prices on usual commercial terms and is confident that the aforesaid regulations will not have any impact on the Consolidated Financial Statements, particularly on the amount of tax expense and that of provision for taxation.

41 Other statutory information:

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

Name of the Intermediaries to which funds are advanced	Date of funds advanced	Amount of funds advanced	Date on which funds are invested by Intermediaries to the Ultimate Beneficiaries	Amount of funds further advanced to Ultimate Beneficiaries	Ultimate Beneficiaries
For the year ended March 31, 2023					
Capillary Pte. Ltd., Singapore	March 29, 2023	659.28	March 31, 2023	659.28	Refer note (a)
For the year ended March 31, 2024					
Capillary Pte. Ltd., Singapore	April 05, 2023	208.35	April 06, 2023	208.35	Refer note (b)
	August 21, 2023	41.67	August 22, 2023	41.67	Refer note (c)
	December 27, 2023	41.61	December 28, 2023	41.61	Refer note (d)

The Parent Company has complied with relevant provisions of the Foreign Exchange Management Act, 1999 (42 of 1999) and the Companies Act, 2013 for the above transactions and the transactions are not violative of the Prevention of Money Laundering Act, 2022 (15 of 2003)

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

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

Note (b) - Capillary Pte. Ltd., has invested in the shares of Capillary Technologies LLC, USA on April 06, 2023.

Note (c) - Capillary Pte. Ltd., has invested in the shares of Capillary Technologies Europe Limited, on August 22, 2023.

Note (d) - Capillary Pte. Ltd., has invested in the shares of Capillary Technologies DMCC, on December 28, 2023.

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

Name of the Company who has advanced the funds	Date of funds received	Amount of funds received	Date on which funds are further advanced to other	Amount of funds further advanced to other	Other
For the year ended March 31, 2023					
Avataar Holdings	March 29, 2023	820.60	March 29, 2023	659.28	Capillary Pte. Ltd. And Capillary Technologies LLC (Refer note (a) above)
Gameberry Labs Private Limited	November 29, 2022	250.00	December 02, 2022	230.06	Capillary Pte. Ltd.
For the year ended March 31, 2024					
M/s Innoven triple blue capital advisors LLP	March 31, 2023	200.00	April 05, 2023	200.00	Capillary Pte. Ltd.

Complete details of the Intermediaries and Funding Parties:

Name of the entity	Registered address	Government	Relationship with
Capillary Pte. Ltd. (Intermediary)	68, Circular Road, # 02-01, Singapore - 049422	202125294W	Subsidiary
Capillary Technologies LLC (Intermediary)	222 N 2ND St Ste 200 Minneapolis, MN, 55401-1494 United States	710149300022	Subsidiary
Avataar Holdings (Funding Party)	Lot 15 A3, 1st Floor, Cybercity, Ebene 72201, Mauritius	177534	Shareholder of the Company
M/s Innoven triple blue capital advisors LLP (Funding Party)	A/ 805A, The Capital, G- Block, Bandra Kurla Complex, Behind ICICI Bank, Plot C-70, Bandra , Maharashtra - 400051	AAM-6580	Lender

Capillary Technologies India Limited
Notes to the Consolidated Financial Statements

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

41 Other statutory information (cont'd)

(iii) The Parent Company has no such transaction which is not recorded in the books of account that has been surrendered or disclosed as income during the period in the tax assessments under the Income-tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income-tax Act, 1961).

(iv) The Parent Company does not have any Benami property, where any proceeding has been initiated or pending against the Parent Company for holding any Benami property under the Benami Transactions (Prohibition) Act, 1988 and rules made thereunder.

(v) The Parent Company does not have any transactions with companies struck off during the year.

(vi) The Parent Company does not have any charges or satisfaction which is yet to be registered with Registrar of Companies beyond the statutory period other than those disclosed in note 14.

(vii) The Parent Company has not traded or invested in Crypto currency or Virtual Currency during the year ended March 31, 2024 and March 31, 2023.

42 Prior year amounts have been regrouped / reclassified wherever necessary, to confirm to the presentation in the current year, which are not material.

As per our report of even date.

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

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

Aasheesh Arjun Singh
Partner
Membership No: 210122

Aneesh Reddy
Managing Director and CEO
DIN: 02214511

Anant Choubey
Executive Director, COO & CFO
DIN: 06536413

Place: Bengaluru, India
Date: June 14, 2024

G. Bhargavi Reddy
Company Secretary
Membership No: - A17091
Place: Bengaluru, India
Date: June 14, 2024



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