

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF HEXAWARE TECHNOLOGIES LIMITED**

#### **Report on the Standalone Indian Accounting Standards (Ind AS) Financial Statements**

1. We have audited the accompanying standalone financial statements of Hexaware Technologies Limited ("the Company"), which comprise the Balance Sheet as at December 31, 2017, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

#### **Management's Responsibility for the Standalone Ind AS Financial Statements**

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements to give a true and fair view of the financial position, financial performance (including other comprehensive income), cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards specified in the Companies (Indian Accounting Standards) Rules, 2015 (as amended) under Section 133 of the Companies Act 2013. 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 standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### **Auditors' Responsibility**

3. Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit.
4. We have taken into account the provisions of the Act and the Rules made thereunder including the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.
5. We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone Ind AS financial statements are free from material misstatement.

6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone Ind AS financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind AS financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone Ind AS financial statements.
7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

### **Opinion**

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at December 31, 2017, and its total comprehensive income (comprising of profit and other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

### **Other Matter**

9. The standalone Ind AS financial statements of the Company as at and for the year ended December 31, 2017 include the Ind AS financial statements of Risk Technology International Limited (the "Transferor Company") consequent to its merger into the Company (refer Note 31 to the standalone Ind AS financial statements). We did not audit the Ind AS financial statements of the Transferor Company as at and for the year ended December 31, 2016 and the transition date opening balance sheet as at January 1, 2016 included in the standalone Ind AS financial statements of the Company, whose Ind AS financial statements reflect total assets of Rs. 1,427.26 million as at December 31, 2016 and Rs. 483.35 million as at January 1, 2016, net assets of Rs. 68.79 million as at December 31, 2016 and Rs. 76.96 million as at January 1, 2016, total comprehensive loss (comprising of loss) of Rs. (-) 8.17 million for the year ended December 31, 2016, total revenue of Rs. Nil for the year ended December 31, 2016 and net cash outflows amounting to Rs. 0.36 million for the year ended December 31, 2016 as considered in the standalone Ind AS financial statements. The said Ind AS financial statements of the Transferor Company have been audited by the predecessor auditor who had audited the statutory financial statements of the Transferor Company for the years ended December 31, 2016 and December 31, 2015. The predecessor auditor has expressed an unmodified opinion on the Ind AS financial statements of the Transferor Company as at and for the year ended December 31, 2016 and the transition date opening balance sheet as at January 1, 2016 vide report dated July 14, 2017.

10. The comparative financial statements of the Company (other than of the Transferor Company referred to in paragraph 9 above) as at and for the year ended December 31, 2016 and the transition date opening balance sheet as at January 1, 2016 prepared in accordance with Ind AS included in these standalone Ind AS financial statements have been audited by the predecessor auditor who had audited the statutory financial statements for the years ended December 31, 2016 and December 31, 2015. The predecessor auditor has expressed an unmodified opinion on the comparative financial statements and the opening balance sheet vide report dated July 17, 2017.

Our opinion on the standalone Ind AS financial statements is not modified in respect of the matters noted in Paragraphs 9 and 10 above and with respect to our reliance on the work performed and the report of the other and the predecessor auditors.

#### **Report on Other Legal and Regulatory Requirements**

11. As required by the Companies (Auditor's Report) Order, 2016, issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act ("the Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure B a statement on the matters specified in paragraphs 3 and 4 of the Order.
12. As required by Section 143 (3) of the Act, we report 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 purposes of our audit.
  - (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.
  - (c) The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income), the Cash Flow Statement and the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.
  - (d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act.
  - (e) On the basis of the written representations received from the directors as on December 31, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on December 31, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.
  - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in Annexure A.
  - (g) With respect to the other matters to be included in the Auditors' Report in accordance with

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To the Members of Hexaware Technologies Limited  
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Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our knowledge and belief and according to the information and explanations given to us:

- i. The Company has disclosed the impact, if any, of pending litigations as at December 31, 2017 on its financial position in its standalone Ind AS financial statements – Refer Note 30;
- ii. The Company has long-term contracts including derivative contracts as at December 31, 2017 for which there were no material foreseeable losses.
- iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company during the year ended December 31, 2017.

For Price Waterhouse Chartered Accountants LLP  
Firm Registration No. 012754N/N-500016  
Chartered Accountants

Place: Mumbai  
Date: February 7, 2018

Sumit Seth  
Partner  
Membership No. 105869

## **Annexure A to Independent Auditors' Report**

Referred to in paragraph 12(f) of the Independent Auditors' Report of even date to the members of Hexaware Technologies Limited on the standalone Ind AS financial statements as of and for the year ended December 31, 2017

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### **Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act**

1. We have audited the internal financial controls over financial reporting of Hexaware Technologies Limited ("the Company") as of December 31, 2017 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

#### **Management's Responsibility for Internal Financial Controls**

2. The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (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 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 Act.

#### **Auditors' Responsibility**

3. Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing deemed to be prescribed under section 143(10) of the Act to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both 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 over financial reporting was 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 system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

## **Annexure A to Independent Auditors' Report**

Referred to in paragraph 12(f) of the Independent Auditors' Report of even date to the members of Hexaware Technologies Limited on the standalone Ind AS financial statements as of and for the year ended December 31, 2017

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### **Meaning of Internal Financial Controls Over Financial Reporting**

6. A company's internal financial control over financial reporting 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 control over financial reporting includes 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 Over Financial Reporting**

7. Because of the inherent limitations of internal financial controls over financial reporting, 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 over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting 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, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at December 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For Price Waterhouse Chartered Accountants LLP  
Firm Registration No. 012754N/N-500016  
Chartered Accountants

Place: Mumbai  
Date: February 7, 2018

Sumit Seth  
Partner  
Membership No. 105869

### **Annexure B to Independent Auditors' Report**

Referred to in paragraph 11 of the Independent Auditors' Report of even date to the members of Hexaware Technologies Limited on the standalone Ind AS financial statements as of and for the year ended December 31, 2017

- i. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
- (b) The fixed assets of the Company have been physically verified by the Management during the year and no material discrepancies have been noticed on such verification. In our opinion, the frequency of verification is reasonable.
- (c) The title deeds and lease agreements, as applicable, of immovable properties, as disclosed in Note 4 on Property, Plant and Equipment and included in "Prepaid expenses relating to leasehold land" in Note 9A to the financial statements, are held in the name of the Company, except as disclosed in footnote to Note 9A to the financial statements and except in case of properties acquired by entities that have since been amalgamated with the Company.
- ii. The Company is in the business of rendering services, and consequently, does not hold any inventory. Therefore, the provisions of Clause 3(ii) of the said Order are not applicable to the Company.
- iii. The Company has not granted any loans, secured or unsecured, to companies, firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Act. Therefore, the provisions of Clause 3(iii), (iii)(a), (iii)(b) and (iii)(c) of the said Order are not applicable to the Company.
- iv. In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of Section 185 and 186 of the Companies Act, 2013 in respect of the loans and investments made, and guarantees and security provided by it.
- v. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified.
- vi. The Central Government of India has not specified the maintenance of cost records under sub-section (1) of Section 148 of the Act for any of the products of the Company.
- vii. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing undisputed statutory dues, including provident fund, employees' state insurance, sales tax, income tax, service tax, value added tax, cess and other material statutory dues, as applicable, with the appropriate authorities.

**Annexure B to Independent Auditors' Report**

Referred to in paragraph 11 of the Independent Auditors' Report of even date to the members of Hexaware Technologies Limited on the standalone Ind AS financial statements as of and for the year ended December 31, 2017

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- (b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of sales tax, service tax, duty of customs, duty of excise, value added tax which have not been deposited on account of any dispute. The particulars of dues of income tax as at December 31, 2017 which have not been deposited on account of a dispute, are as follows:

<b>Name of the statute</b>	<b>Nature of dues</b>	<b>Amount (Rs. in Million )</b>	<b>Period to which the amount relates</b>	<b>Forum where the dispute is pending</b>
Income Tax Act, 1961	Income Tax	1.10	Assessment year 2009-10	Assessing officer
Income Tax Act, 1961	Income Tax	2.76	Assessment year 2011-12	Commissioner of Income tax (Appeals)
Income Tax Act, 1961	Income Tax	0.40	Assessment year 2012-13	Commissioner of Income tax (Appeals)

- viii. As the Company does not have any loans or borrowings from any financial institution or bank or Government, nor has it issued any debentures as at the balance sheet date, the provisions of Clause 3(viii) of the Order are not applicable to the Company.
- ix. The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) and term loans. Accordingly, the provisions of Clause 3(ix) of the Order are not applicable to the Company.
- x. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.
- xi. The Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.
- xii. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.



**Annexure B to Independent Auditors' Report**

Referred to in paragraph 11 of the Independent Auditors' Report of even date to the members of Hexaware Technologies Limited on the standalone Ind AS financial statements as of and for the year ended December 31, 2017

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- xiii. The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the standalone Ind AS financial statements as required under Indian Accounting Standard 24 – Related Party Disclosures specified in the Companies (Indian Accounting Standards) Rules, 2015 (as amended) under Section 133 of the Act.
- xiv. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of Clause 3(xiv) of the Order are not applicable to the Company.
- xv. The Company has not entered into any non cash transactions with its directors or persons connected with him to which Section 192 of the Act applies. Accordingly, the provisions of Clause 3(xv) of the Order 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, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

For Price Waterhouse Chartered Accountants LLP  
Firm Registration No. 012754N/N-500016  
Chartered Accountants

Place: Mumbai  
Date: February 7, 2018

Sumit Seth  
Partner  
Membership No. 105869

**HEXAWARE TECHNOLOGIES LIMITED**  
**BALANCE SHEET**

(Rupees Million)

		As at December 31, 2017	As at December 31, 2016	As at January 1, 2016
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	4	3,413.61	2,579.39	2,759.18
Capital work-in-progress		2,571.66	3,236.10	1,182.19
Other intangible assets	5	82.08	100.86	104.66
<b>Financial assets</b>				
Investments	6A	2,028.40	1,997.42	1,923.77
Other financial assets	8A	352.52	336.85	164.37
Deferred tax assets (net)	7C	1,027.02	847.46	821.68
Income tax asset (net)		356.43	316.51	341.50
Other non-current assets	9A	615.41	648.63	826.06
<b>Total non-current assets</b>		<b>10,447.13</b>	<b>10,063.22</b>	<b>8,123.41</b>
<b>Current assets</b>				
<b>Financial assets</b>				
Investments	6B	189.19	188.50	409.33
Trade receivables	10	4,142.29	2,733.56	3,970.97
Cash and cash equivalents	11A	882.53	2,065.80	1,100.26
Other bank balances	11B	150.26	137.66	120.28
Unbilled revenue		329.92	495.77	351.66
Other financial assets	8B	961.07	605.64	531.90
Other current assets	9B	316.00	285.68	280.53
<b>Total current assets</b>		<b>6,971.26</b>	<b>6,512.61</b>	<b>6,764.93</b>
<b>Total assets</b>		<b>17,418.39</b>	<b>16,575.83</b>	<b>14,888.34</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Equity share capital	12	593.61	604.06	603.13
Other equity		14,823.34	12,838.82	11,349.45
<b>Total equity</b>		<b>15,416.95</b>	<b>13,442.88</b>	<b>11,952.58</b>
<b>Non-current liabilities</b>				
<b>Financial liabilities</b>				
Other financial liabilities	14A	5.61	4.00	28.74
Provisions - Employee benefit obligations towards gratuity		170.67	261.03	174.66
<b>Total non-current liabilities</b>		<b>176.28</b>	<b>265.03</b>	<b>203.40</b>
<b>Current liabilities</b>				
<b>Financial liabilities</b>				
Trade and other payables	15			
(i) Dues of micro and small enterprises		0.57	2.48	-
(ii) Others		820.33	1,523.23	1,596.14
Other financial liabilities	14B	617.64	826.75	741.40
Other current liabilities	16	149.76	146.24	172.68
<b>Provisions</b>				
Employee benefit obligations towards compensated absences and others		210.69	228.35	197.01
Others	17	5.82	86.67	-
Current tax liabilities (net)		20.35	54.20	25.13
<b>Total current liabilities</b>		<b>1,825.16</b>	<b>2,867.92</b>	<b>2,732.36</b>
<b>Total liabilities</b>		<b>2,001.44</b>	<b>3,132.95</b>	<b>2,935.76</b>
<b>Total equity and liabilities</b>		<b>17,418.39</b>	<b>16,575.83</b>	<b>14,888.34</b>

The accompanying notes 1 to 34 form an integral part of the financial statements

As per our report of even date

**For Price Waterhouse Chartered Accountants LLP**

Firm Registration Number : 012754N / N500016  
Chartered Accountants

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

**Sumit Seth**  
(Partner)  
Membership Number : 105869

**Atul K. Nishar**  
(Chairman)  
(DIN-00307229)

**Jimmy Mahtani**  
(Vice Chairman)  
(DIN-00996110)

Mumbai, dated February 07, 2018

**HEXAWARE TECHNOLOGIES LIMITED**  
**BALANCE SHEET**

**R. Srikrishna**  
(CEO & Executive Director)  
(DIN-03160121)

**Dileep Choksi**  
(Director)  
(DIN-00016322)

**Meera Shankar**  
(Director)  
(DIN-06374957)

**Bharat Shah**  
(Director)  
(DIN-00136969)

**Basab Pradhan**  
(Director)  
(DIN-00892181)

**Christian Oecking**  
(Director)  
(DIN-03090264)

**P. R. Chandrasekar**  
(Director)  
(DIN-02251080)

Mumbai, dated 7th February, 2018

**Rajesh Kanani**  
(Chief Financial Officer)

**Gunjan Methi**  
(Company Secretary)

**HEXAWARE TECHNOLOGIES LIMITED**  
**STATEMENT OF PROFIT AND LOSS**

		(Rupees Million)	
		<u>For year ended</u>	<u>For year ended</u>
	<u>Notes</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
<b>INCOME</b>			
Revenue from operations		15,241.07	13,930.41
Other Income	18	29.16	35.61
Exchange rate difference (net)		537.40	284.64
<b>Total income</b>		<b>15,807.63</b>	<b>14,250.66</b>
<b>EXPENSES</b>			
Software and development expenses	19	547.01	447.47
Employee benefits expense	20	7,763.42	7,184.27
Operation and other expenses	21	2,035.98	1,735.18
Interest - others		0.62	1.14
Depreciation and amortisation expense	4, 5	493.36	423.18
<b>Total expenses</b>		<b>10,840.39</b>	<b>9,791.24</b>
<b>Profit before tax</b>		<b>4,967.24</b>	<b>4,459.42</b>
Tax expense	7		
Current		1,071.80	1,049.02
Deferred (credit)		(214.16)	(103.92)
		857.64	945.10
<b>Profit for the year</b>		<b>4,109.60</b>	<b>3,514.32</b>
<b>Other comprehensive income</b>			
<b>i) Items that will not be reclassified to profit or loss</b>			
Remeasurement of defined benefit plan		103.24	(7.93)
Income tax relating to items that will not be reclassified to profit or loss		(18.71)	1.66
<b>ii) Items that will be reclassified to profit or loss</b>			
Net change in fair value of cash flow hedges		259.65	306.81
Income tax relating to items that will be reclassified to profit or loss		(34.60)	(78.14)
<b>Total other comprehensive income</b>		<b>309.58</b>	<b>222.40</b>
<b>Total comprehensive income for the year</b>		<b>4,419.18</b>	<b>3,736.72</b>
<b>Earnings per share (in Rupees)</b>			
Basic	23	13.82	11.64
Diluted		13.62	11.54

The accompanying notes 1 to 34 form an integral part of the financial statements

As per our report of even date

**For Price Waterhouse Chartered Accountants LLP**  
Firm Registration Number : 012754N / N500016  
Chartered Accountants

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

**Sumit Seth**  
(Partner)  
Membership Number : 105869

**Atul K. Nishar**  
(Chairman)  
(DIN-00307229)

**Jimmy Mahtani**  
(Vice Chairman)  
(DIN-00996110)

Mumbai, dated February 07, 2018

**HEXAWARE TECHNOLOGIES LIMITED**  
**STATEMENT OF PROFIT AND LOSS**

**R. Srikrishna**  
(CEO & Executive Director)  
(DIN-03160121)

**Dileep Choksi**  
(Director)  
(DIN-00016322)

**Meera Shankar**  
(Director)  
(DIN-06374957)

**Bharat Shah**  
(Director)  
(DIN-00136969)

**Basab Pradhan**  
(Director)  
(DIN-00892181)

**Christian Oecking**  
(Director)  
(DIN-03090264)

**P. R. Chandrasekar**  
(Director)  
(DIN-02251080)

Mumbai, dated 7th February, 2018

**Rajesh Kanani**  
(Chief Financial Officer)

**Gunjan Methi**  
(Company Secretary)

**HEXAWARE TECHNOLOGIES LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**

**A. Equity Share Capital**

(Rupees Million)

	<u>As at</u> <u>December</u> <u>31, 2017</u>	<u>As at</u> <u>December</u> <u>31, 2016</u>
Outstanding at the beginning of the year	604.06	603.13
Issued during the year	0.94	0.93
Bought back during the year	(11.39)	-
Outstanding at the end of the year	<u>593.61</u>	<u>604.06</u>

**B. Other Equity**

(Rupees Million)

	<u>Reserves and Surplus</u>					<u>Other comprehensive income</u>	
	<u>Share application money pending allotment</u>	<u>Securities Premium Reserve</u>	<u>Other Reserves (Note No. 13)</u>	<u>General reserve</u>	<u>Retained Earnings</u>	<u>Cashflow Hedge Reserve (CFHR)</u>	<u>Total</u>
<b>Balances as at January 1, 2017</b>	-	4,808.73	785.40	2,117.71	4,886.20	240.78	12,838.82
Profit for the year	-	-	-	-	4,109.60	-	4,109.60
Other comprehensive income	-	-	-	-	84.53	225.05	309.58
<b>Total comprehensive income for the year</b>	-	-	-	-	<b>4,194.13</b>	<b>225.05</b>	<b>4,419.18</b>
Cash dividend paid (including dividend tax)	-	-	-	-	(1,428.09)	-	(1,428.09)
Buy-back of shares	-	(1,366.76)	11.39	-	(12.15)	-	(1,367.52)
Shares Issued on exercise of Options	-	10.84	-	-	-	-	10.84
Transfer to special economic zone reserve, net	-	-	(308.87)	-	308.87	-	-
Received / transferred on exercise of Stock Options	0.61	65.13	(65.13)	-	-	-	0.61
Compensation related to employee share based payments	-	-	349.50	-	-	-	349.50
<b>As at December 31, 2017</b>	<u>0.61</u>	<u>3,517.94</u>	<u>772.29</u>	<u>2,117.71</u>	<u>7,948.96</u>	<u>465.83</u>	<u>14,823.34</u>
<b>Balances as at January 1, 2016</b>	-	4,772.37	559.46	2,117.71	3,887.80	12.11	11,349.45
Profit for the year	-	-	-	-	3,514.32	-	3,514.32
Other comprehensive income	-	-	-	-	(6.27)	228.67	222.40
<b>Total comprehensive income for the year</b>	-	-	-	-	<b>3,508.05</b>	<b>228.67</b>	<b>3,736.72</b>
Cash dividend paid (including dividend tax thereon)	-	-	-	-	(2,506.22)	-	(2,506.22)
Shares Issued on exercise of Options	-	12.13	-	-	-	-	12.13
Transfer to special economic zone reserve, net	-	-	3.43	-	(3.43)	-	-
Received / transferred on exercise of Stock Options	-	24.23	(24.23)	-	-	-	-
Compensation related to employee share based payments	-	-	246.74	-	-	-	246.74
<b>As at December 31, 2016</b>	<u>-</u>	<u>4,808.73</u>	<u>785.40</u>	<u>2,117.71</u>	<u>4,886.20</u>	<u>240.78</u>	<u>12,838.82</u>

The accompanying notes 1 to 34 form an integral part of the financial statements

As per our report of even date

**For Price Waterhouse Chartered Accountants LLP**  
 Firm Registration Number : 012754N / N500016  
 Chartered Accountants

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

**Sumit Seth**  
 (Partner)  
 Membership Number : 105869

**Atul K. Nishar**  
 (Chairman)  
 (DIN-00307229)

**Jimmy Mahtani**  
 (Vice Chairman)  
 (DIN-00996110)

Mumbai, dated February 07, 2018

**HEXAWARE TECHNOLOGIES LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**

**R. Srikrishna**  
(CEO & Executive Director)  
(DIN-03160121)

**Dileep Choksi**  
(Director)  
(DIN-00016322)

**Meera Shankar**  
(Director)  
(DIN-06374957)

**Bharat Shah**  
(Director)  
(DIN-00136969)

**Basab Pradhan**  
(Director)  
(DIN-00892181)

**Christian Oecking**  
(Director)  
(DIN-03090264)

**P. R. Chandrasekar**  
(Director)  
(DIN-02251080)

Mumbai, dated 7th February, 2018

**Rajesh Kanani**  
(Chief Financial Officer)

**Gunjan Methi**  
(Company Secretary)

**HEXAWARE TECHNOLOGIES LIMITED****CASH FLOW STATEMENT**

(Rupees Million)

	<u>For year ended</u>	
	<u>December 31, 2017</u>	<u>December 31, 2016</u>
<b>Cash Flow from operating activities</b>		
Net Profit before tax	4,967.24	4,459.42
<b>Adjustments for:</b>		
Depreciation and amortization expense	493.36	423.18
Employee stock option compensation cost	221.33	246.74
Interest income	(7.86)	(5.24)
Provision for doubtful accounts (net of writeback)	1.45	(38.51)
Debts and advances written off	3.30	15.18
Dividend from current investments	(8.45)	(12.44)
(Profit) on sale of property, plant and equipments (PPE) and intangible assets (net)	(2.44)	(1.55)
Exchange rate difference (net) - unrealised	(6.86)	0.81
Interest expense	0.62	1.14
<b>Operating profit before working capital changes</b>	<b>5,661.69</b>	<b>5,088.73</b>
<b>Adjustments for:</b>		
Trade receivables and other assets	(1,253.69)	1,147.54
Trade payables and other liabilities	(739.20)	104.05
<b>Cash generated from operations</b>	<b>3,668.80</b>	<b>6,340.32</b>
Direct taxes paid (net)	(1,164.28)	(993.28)
<b>Net cash from operating activities</b>	<b>2,504.52</b>	<b>5,347.04</b>
<b>Cash flow from investing activities</b>		
Purchase of PPE, Intangible assets and CWIP including advances	(894.36)	(2,051.71)
Interest received	7.63	11.24
Purchase of current investments	(3,768.45)	(7,162.44)
Proceeds from sale/ redemption of current Investments	3,767.75	7,383.27
Investment in subsidiaries	(22.95)	(81.68)
Dividend from current investments	8.45	12.44
Proceeds from sale of PPE	2.51	2.13
<b>Net cash (used in) investing activities</b>	<b>(899.42)</b>	<b>(1,886.75)</b>
<b>Cash flow from financing activities</b>		
Proceeds from issue of shares / share application money (net)	12.39	13.06
Buy-back of shares (including expenses incurred on buy-back)	(1,378.91)	-
Interest paid	(0.62)	(1.14)
Dividend paid (including corporate dividend tax)	(1,428.09)	(2,505.86)
<b>Net cash (used in) financing activities</b>	<b>(2,795.23)</b>	<b>(2,493.94)</b>
Net (decrease) / increase in cash and cash equivalents	(1,190.13)	966.35
Cash and cash equivalents at the beginning of the year	2,065.80	1,100.26
Unrealised loss / (gain) on foreign currency cash & cash equivalents	6.86	(0.81)
Cash and cash equivalents at the end of the year (Refer note 11)	<b>882.53</b>	<b>2,065.80</b>

The accompanying notes 1 to 34 form an integral part of the financial statements

As per our report of even date

**For Price Waterhouse Chartered Accountants LLP**

Firm Registration Number : 012754N / N500016  
Chartered Accountants

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

**Sumit Seth**  
(Partner)  
Membership Number : 105869

**Atul K. Nishar**  
(Chairman)  
(DIN-00307229)

**Jimmy Mahtani**  
(Vice Chairman)  
(DIN-00996110)

Mumbai, dated February 07, 2018



**HEXAWARE TECHNOLOGIES LIMITED**  
**CASH FLOW STATEMENT**

**R. Srikrishna**  
(CEO & Executive Director)  
(DIN-03160121)

**Dileep Choksi**  
(Director)  
(DIN-00016322)

**Meera Shankar**  
(Director)  
(DIN-06374957)

**Bharat Shah**  
(Director)  
(DIN-00136969)

**Basab Pradhan**  
(Director)  
(DIN-00892181)

**Christian Oecking**  
(Director)  
(DIN-03090264)

**P. R. Chandrasekar**  
(Director)  
(DIN-02251080)

Mumbai, dated 7th February, 2018

**Rajesh Kanani**  
(Chief Financial Officer)

**Gunjan Methi**  
(Company Secretary)

## **HEXAWARE TECHNOLOGIES LIMITED**

### **NOTES TO FINANCIAL STATEMENTS**

#### **1 Corporate Information**

Hexaware Technologies Limited ("Hexaware" or "The Company") is a public limited company incorporated in India. The Company is engaged in information technology consulting, software development and business process management. Hexaware provides multiple service offerings to its clients across various industries comprising travel, transportation, hospitality, logistics, banking, financial services, insurance, healthcare, manufacturing, consumer and services. The various service offerings comprise application development and management, enterprise package solutions, infrastructure management, business intelligence and analytics, business process, digital assurance and testing.

#### **2 Significant Accounting Policies**

##### **2.1 Statement of compliance**

The financial statements comply in all material aspects with Indian Accounting standards (referred to as "Ind AS") notified under Section 133 of the Companies Act, 2013 (the "Act") [Companies (Indian Accounting Standards) Rules, 2015] and other relevant provisions of the Act.

In accordance with the notification issued by the Ministry of Corporate Affairs, the Company has adopted Ind AS with effect from January 1, 2017. These are the Company's first Ind AS financial statements. The date of transition to Ind AS is January 1, 2016. Refer note 3.2 for the details of transition to Ind AS. In accordance with Ind AS 101 First-time Adoption of Indian Accounting Standard, the Company has presented a reconciliation under Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 ("Previous GAAP" or "Indian GAAP") to Ind AS.

##### **2.2 Basis of Preparation**

These financial statements are prepared on historical cost basis, except for certain financial instruments which are measured at fair values as explained in the accounting policies below.

##### **2.3 Critical accounting judgements and key source of estimation uncertainty**

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenue, expense, assets and liabilities and disclosures relating to contingent liabilities on the date of the financial statements. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates is recognised in the period in which the estimate is revised and in any future period affected.

##### **Key source of estimation uncertainty which may cause material adjustments:**

##### **2.3.1 Revenue recognition**

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

##### **2.3.2 Income-tax**

The major tax jurisdictions for the Company is India though the Company also files tax returns in overseas jurisdiction. Significant judgments are involved in determining the provision for income taxes including judgment on whether tax positions are probable of being sustained in tax assessments. A tax assessment can involve complex issues, which can only be resolved over extended time periods.

##### **2.3.3 Others**

Others areas involving estimates relates to actuarial assumptions used to determine the carrying amount of defined benefit obligation, estimation of fair value of share based payment transactions and useful lives of Property Plant and Equipment.

## **HEXAWARE TECHNOLOGIES LIMITED**

### **NOTES TO FINANCIAL STATEMENTS**

#### **2.4 Revenue Recognition**

Revenue is measured at fair value of consideration received or receivable.

- a) Revenues from software solutions and consulting services are recognized based on specified terms of contract.

In case of contract on time and material basis, revenue is recognised when the related services are performed.

In case of fixed price contracts, revenue is recognized using percentage of completion method. The company uses the efforts expended to date as a proportion to the total efforts to be expended as a basis to measure the degree of completion. The cumulative impact of any revision in estimates of the percentage of work completed is reflected in the year in which the change becomes known. Provisions for estimated losses on such engagements are made during the year in which a loss becomes probable and can be reasonably estimated.

Amount received or billed in advance of services performed are recorded as unearned revenue.

Unbilled services represents revenue recognized based on services performed in advance of billing in accordance with contract terms.

Revenue from business process management arises from unit-priced contracts, time based contracts and cost based projects. Such revenue is recognised as services are performed. It is billed in accordance with the specific terms of the contract with the client.

- b) Revenue is reported net of discount and indirect taxes.  
c) Dividend income is recognised when the shareholders right to receive payment has been established.  
d) Interest Income is recognised using effective interest rate method.

#### **2.5 Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

a) **Finance Lease**

Assets taken on finance lease are capitalised at lower of present value of the minimum lease payments and the fair value and liability is recognised for an equivalent amount. Lease payments are apportioned between finance charge and reduction in outstanding liability so as to achieve a constant rate of interest on the remaining balance of liability.

b) **Operating Leases**

Assets taken on lease under which all risks and rewards of ownership are effectively retained by the lessor are classified as operating lease. Lease payments under operating leases are recognised as expenses on straight line basis over the lease term unless the payments to the lessor are structured to increase in line with expected general inflation.

#### **2.6**

(a) **Functional and presentation currency**

These financial statements are presented in millions of Indian Rupees (Rs.), the currency of the primary economic environment in which the Company operates.

(b) **Foreign currency**

Transactions in foreign currency are recorded at the original rate of exchange in force at the time transactions are effected. Monetary items denominated in foreign currency are restated using the exchange rate prevailing on the date of Balance Sheet. The resulting exchange difference on such restatement and settlement is recognized in the profit or loss, except exchange differences on transactions entered into in order to hedge certain foreign currency risk.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the Balance Sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

#### **2.7 Borrowing Cost**

Borrowing cost directly attributable to the acquisition or construction of qualifying assets is capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognised in the profit or loss.

## **HEXAWARE TECHNOLOGIES LIMITED**

### **NOTES TO FINANCIAL STATEMENTS**

#### **2.8 Employee Benefits**

##### **a) Post-employment benefits and other long term benefit plan**

Payments to defined contribution retirement schemes are recognised as an expense when the employees have rendered service entitling them to such benefits.

For defined benefit schemes and other long term benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at balance sheet date. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest) is reflected immediately in the balance sheet with a charge or credit recognized in the other comprehensive income in respect of defined benefit schemes and in the statement of profit and loss in respect of other long term benefit plans in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in the profit or loss in the period of plan amendment. The retirement benefit liability recognized in the statement of financial position represents the present value of the defined benefit obligation as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to the lower of the amount determined as the defined benefit liability and the present value of available refunds and / or reduction in future contributions to the scheme.

The service cost (including past service cost as well as gains and losses on settlement and curtailments) and net interest expenses or income is recognised as employee benefits expense in the profit or loss.

##### **b) Short term employee benefit**

The undiscounted amount of short term employee benefits expected to be paid in exchange for the services rendered by employees is recognized as an expense during the period when the employee renders those services. These benefits include compensated absences such as leave expected to be availed within a year, statutory employee profit sharing and bonus payable.

#### **2.9 Share based compensation**

Equity settled share based payments to employees and directors are measured at the fair value of the equity instruments at the grant date which is recognised over the vesting period based on periodic estimate of the equity instruments that will eventually vest, with the corresponding increase in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest with the impact of revision recognised in the profit or loss such that the cumulative expense reflects the revised estimates, with a corresponding adjustment to the share option outstanding account.

#### **2.10 Taxes on Income**

Income tax expense comprises of current tax and deferred tax. Current and deferred tax are recognised in net income, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

Current tax is measured at the amount expected to be paid or recovered from the domestic and overseas tax authorities using enacted or substantively enacted tax rates after taking credit for tax relief available for export operations in Special Economic Zone (SEZ).

Deferred taxes are recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profits, except when the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither the accounting nor taxable profit at the time of the transaction.

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

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

Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be received or settled.

For operations under tax holiday scheme, deferred tax assets or liabilities, if any, have been established for the tax consequences of those temporary differences between the carrying values of assets and liabilities and their respective tax bases that reverse after the tax holiday ends.

Deferred tax assets include Minimum Alternative Tax (MAT) paid in accordance with the tax laws in India, which gives rise to future economic benefits in the form of availability of set off against future income tax liability. Accordingly, MAT is recognised as deferred tax asset in the balance sheet when the asset can be measured reliably and it is probable that the future economic benefit associated with the asset will be realised.

Advance taxes and provisions for current income taxes as well as deferred tax assets and liabilities are presented in the Balance sheet after off-setting advance tax paid and income tax provision arising in the same tax jurisdiction and where the entity intends to settle the asset and liability on a net basis.

## **HEXAWARE TECHNOLOGIES LIMITED**

### **NOTES TO FINANCIAL STATEMENTS**

#### **2.11 Property, plant and equipment (PPE)**

PPE are stated at cost of acquisition less accumulated depreciation (other than freehold land) and impairment loss, if any.

##### **Depreciation**

Depreciation is provided on straight-line method based on the estimated useful lives of the assets as follows:

<b>Asset Class</b>	<b>Estimated useful Life</b>
Buildings	60 years
Computer Systems (included in Plant and Machinery)	3 years
Office Equipment	5 years
Electrical Fittings (included in Plant and Machinery)	8 years
Furniture and Fixtures	8 years
Vehicles	4 years

Improvement to Leasehold Premises are amortised over the lease period or useful life of an asset whichever is lesser.

Depreciation methods, estimated useful lives and residual values are reviewed at the end of each year and adjusted prospectively where appropriate.

An item of PPE is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on derecognition is determined as the difference between the sales proceeds and the carrying amount of the assets and is recognised in profit or loss.

#### **2.12 Intangible assets**

Intangible assets with finite useful lives that are acquired are initially recognised at cost in case of separately acquired assets and at fair value in case of acquisition in business combination. Subsequent to initial recognition, intangible assets are reported at cost less accumulated amortisation and impairment loss, if any. Amortisation is recognised on a straight-line basis over their estimated useful lives. Software licenses are amortised over three years.

Amortisation method, estimated useful lives and residual values are reviewed at the end of each year and adjusted prospectively where appropriate.

An intangible asset is derecognised on disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on derecognition is determined as the difference between the sales proceeds and the carrying amount of the assets and is recognised in profit or loss.

#### **2.13 Impairment**

##### **a) Financial assets (other than at fair value)**

The company assesses at each balance sheet date, whether a financial asset or a group of financial assets is impaired. Ind AS 109, "Financial Instruments" requires expected credit losses to be measured through a loss allowance. The company recognises lifetime expected losses for all contract assets and / or all trade receivables. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

##### **b) Non-financial assets**

###### **Tangible and Intangible assets**

At the end of each reporting period, the company assesses whether there is an indication that an asset may be impaired. An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. When it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs or allocated. Impairment loss is charged to the profit or loss in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

#### **2.14 Provisions**

Provisions are recognised when the company has present obligation (legal or constructive) as a result of a past event for which reliable estimate can be made of the amount of obligation and it is probable that the company will be required to settle the obligation. When a provision is measured using cash flows estimated to settle the present obligation its carrying amount is the present value of those cash flows; unless the effect of time value of money is immaterial.

## **HEXAWARE TECHNOLOGIES LIMITED**

### **NOTES TO FINANCIAL STATEMENTS**

#### **2.15 Non derivative financial instruments**

Financial assets and liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value measured on initial recognition of financial asset or financial liability.

##### **A Financial assets and financial liabilities – subsequent measurement**

###### **(i) Financial assets at amortised cost**

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

###### **(ii) Financial assets at fair value through other comprehensive income**

Financial assets are measured at fair value through other comprehensive income if these financial assets are held with a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

###### **(iii) Financial assets at fair value through profit or loss**

Financial assets are measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income. The transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit and loss are immediately recognised in statement of profit and loss.

###### **(iv) Investment in subsidiaries**

Investment in subsidiaries is carried at cost less impairment, if any.

###### **(v) Cash and cash equivalents**

The company considers all highly liquid financial instruments, which are readily convertible into known amounts of cash that are subject to an insignificant risk of change in value and having original maturities of three months or less from the date of purchase, to be cash equivalents. Cash and cash equivalents consist of balances with banks which are unrestricted for withdrawal and usage.

###### **(vi) Financial liabilities**

Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

##### **B Share capital**

###### **Equity shares**

Incremental costs directly attributable to the issue or re-purchase of equity shares, net of any tax effects, are recognised as a deduction from equity.

#### **2.16 Derivative financial instruments and hedge accounting**

The company enters into foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to highly probable forecast transactions. These instruments are initially measured at fair value and are re-measured at subsequent reporting dates. The company at the inception documents and designates these instruments as cash flow hedges. Accordingly, the company records the cumulative gain or loss arising from change in fair values on effective cash flow hedges in the CFHR within the other comprehensive income until the forecasted transaction occurs. Gain or loss arising from change in fair values of component excluded from the assessment of hedge effectiveness as well as the ineffective portion of the designated hedges and derivative instruments that do not qualify for hedge accounting are recognized immediately in the profit or loss.

Hedge accounting is discontinued when the hedging instrument expires, terminated or exercised without replacement or rollover as part of the hedging strategy or when the hedge no longer meets the criteria for hedge accounting, the net cumulative gain or loss recognised in hedging reserve at that time remains in equity and is recognised in profit or loss when the forecasted transaction affects profit or loss. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in hedging reserve is immediately transferred to the profit or loss for the year and is grouped under exchange rate difference.

## **HEXAWARE TECHNOLOGIES LIMITED**

### **NOTES TO FINANCIAL STATEMENTS**

#### **2.17 Earnings per share ('EPS')**

Basic EPS are computed by dividing profit or loss attributable to equity shareholders of the Company by the weighted average number of equity shares outstanding during the year. Diluted EPS is computed by dividing the net profit attributable to the equity holders of the Company by the weighted average number of equity shares considered for deriving basic EPS and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares. The dilutive potential equity shares are adjusted for the proceeds receivable had the equity shares been actually issued at fair value (i.e. the average market value of the outstanding equity shares). Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date. Dilutive potential equity shares are determined independently for each period presented.

The number of equity shares and potentially dilutive equity shares are adjusted retrospectively for all periods presented for any share splits and bonus shares issues including for changes effected prior to the approval of the financial statements by the Board of Directors.

#### **3 First-time adoption of Ind AS**

These are Company's first financial statements prepared in accordance with Ind AS. The accounting policies set out in note 2 have been applied in preparing these financial statements for the year ended December 31, 2017 comparative financial statements for the year ended December 31, 2016 and opening Ind AS balance sheet at January 1, 2016 (the date of transition). In preparing its opening balance sheet, the Company has adjusted the amounts reported previously in financial statements prepared in accordance with the Previous GAAP.

An explanation of how the transition from previous GAAP to Ind AS has affected the Company's financial position, financial performance and cashflows is set out in the following tables and notes.

#### **3.1 Exemptions availed**

Ind AS 101 allows first-time adopters certain exemptions from the retrospective application of certain requirements under Ind AS. The Company has availed the following material exemptions:

- a) In respect of investment in subsidiaries, the Company has elected to adopt carrying values under previous GAAP as on the date of transition in its separate financial statements.
- b) In case of Share-based payment transaction, the Company has elected to apply the share based payment exemption as available on application of Ind AS 102, Share Based Payment. Accordingly, the Company has applied Ind AS 102 only to grants which remained unvested as of transition date i.e. January 1, 2016.
- c) On transition to Ind AS, the Company has elected to continue with the carrying value of all its property, plant and equipment and intangible assets recognised as at January 1, 2016 measured as per the previous GAAP and use that carrying value as the deemed cost of property, plant and equipment and intangible assets.

**HEXAWARE TECHNOLOGIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**3.2 Reconciliation between Previous GAAP and Ind AS :**

**(Rupees Million)**

(i) **Equity Reconciliation:**

Particulars	Note	As at	
		December 31, 2016	January 1, 2016
<b>Equity under Previous GAAP</b>		<b>13,228.22</b>	<b>11,099.52</b>
Proposed dividend and tax thereon	(a)	363.51	871.09
Deferred tax adjustment on CFHR	(f)	(81.99)	(3.85)
Impact of common control merger transaction	(j)	(83.48)	(16.54)
Buy-back related cost recognized as other asset to be adjusted against equity in 2017	(c)	7.12	-
Others	(g)	9.50	2.36
<b>Equity under Ind AS</b>		<b>13,442.88</b>	<b>11,952.58</b>

(ii) **Comprehensive income Reconciliation:**

**(Rupees Million)**

Particulars	Note	Year ended December 31, 2016
<b>Net Income under Previous GAAP</b>		<b>3,560.73</b>
Adjustment for remeasurement of defined benefit plan	(b)	6.27
Impact of common control merger transaction	(j)	(66.94)
Buy-back related cost recognized as other asset to be adjusted against equity in 2017	(c)	7.12
Others	(g)	7.14
<b>Net Income under Ind AS</b>		<b>3,514.32</b>
Adjustment for remeasurement of defined benefit plan	(b)	(6.27)
Changes in Other Comprehensive Income (OCI) other than actuarial gain / (loss)		228.67
<b>Comprehensive Income under Ind AS</b>		<b>3,736.72</b>

(iii) **Cash flow Reconciliation:**

There are no material changes in cashflows reported in previous GAAP in comparison with Ind AS.

**Notes to reconciliation of transition to Ind AS from previous GAAP:**

- a) Under Previous GAAP, a liability is recognized in respect of proposed dividend on the Company's equity shares, even though the dividend is approved subsequent to the reporting date. Under Ind AS, liability for dividend is recognized only during the period such dividend is approved and the liability in respect thereof is crystallized. Consequently, there is an increase in equity under Ind AS by Rs. 363.51 million and Rs. 871.09 million as at December 31, 2016 and January 1, 2016, respectively.
- b) Under Ind AS, the actuarial (gains)/ losses in respect of defined benefit plans are recognised in Other Comprehensive Income. Under previous GAAP, they were recognised in the Statement of Profit or Loss. This has resulted in increase in profit by Rs. 6.27 million for the year ended December 31, 2016. However, this does not result in any change in net equity.
- c) Under Ind AS, costs incurred for issuing or acquiring its own equity instruments are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. Accordingly, buy-back related expenses amounting to Rs. 7.12 million are recognised as prepaid expenses under the head other assets and have been adjusted against equity on completion of buy-back of equity shares. Consequently equity as at and profit for the year ended December 31, 2016 has increased by Rs. 7.12 million.
- d) In respect of share based payments (ESOP), the Company had followed intrinsic valuation method for grants made upto March 31, 2015 which was permitted under the previous GAAP, subsequent to which the Company adopted fair value method for recognising shared based compensation cost. Under Ind AS, intrinsic value method is not permitted. Consequently, the unvested grants as at January 1, 2016 which were measured using intrinsic value method have been remeasured using fair value. This has resulted in a decrease in share options outstanding account in Other Equity by Rs. 7.10 million and corresponding increase in retained earnings by the same amount. Thus, there is no impact on net equity. There is no impact on the net income for the year ended December 31, 2016.
- e) Under Ind AS, long term leases of land are classified as operating leases unless the title to the leasehold land is expected to be transferred to the Company at the end of the lease term. Premium paid relating to leasehold lands are recognized as other assets. Under Previous GAAP, the same were recognised in property, plant and equipment. Accordingly, Rs. 537.23 million and Rs. 421.23 million of such payments have been reclassified from property, plant and equipment to other assets as on December 31, 2016 and January 1, 2016, respectively.
- f) Under Ind AS, tax consequences of transactions are recognised in the same manner as the recording of the related transactions. Accordingly, the tax consequences of items recognised in OCI (cash flow hedge reserve) of Rs. 81.99 million and Rs. 3.85 million as at December 31, 2016 and January 1, 2016, respectively have been recognised in OCI. This was not recognised under previous GAAP which followed the timing difference approach for recognising deferred taxes.
- g) Others - relates to adjustments on account of operating lease to the extent of Rs. 9.50 million and Rs. 2.36 million as at December 31, 2016 and January 1, 2016, respectively. This has resulted in increase in net income by Rs. 7.14 million for the year ended December 31, 2016.
- h) The Company had measured Long-term investments at cost and current investments at lower of cost and fair value under the previous GAAP. Under Ind AS, the Company has elected to measure long-term equity investments at fair value through OCI, while short-term investments in mutual funds at fair value through profit or loss. This change of measurement, however, did not have any impact on the profit for the previous year and equity as at December 31, 2016 and January 1, 2016, respectively.
- i) Pursuant to the Guidance note on Division II -IndAS Schedule III to the Companies Act, 2013 issued by the Institute of Chartered Accountants of India, the Company has regrouped the provision for the employee benefits obligation towards compensated absences of Rs. 166.02 million and Rs. 140.61 million as at December 31, 2016 and January 1, 2016, respectively, under current liabilities from non-current liabilities.
- j) Pursuant to merger of Risk Technology International Limited (RTIL) a common control transaction, the equity balance has decreased by Rs. 83.48 million and Rs.16.54 million as on December 31, 2016 and January 1, 2016, respectively. Also, this has decreased the net income by Rs. 66.94 million for the year ended December 31, 2016. (refer note 31).



**HEXAWARE TECHNOLOGIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**4 Property, Plant and Equipment (PPE)**

**(Rupees Million)**

PPE consist of the following :

	<u>Freehold Land</u>	<u>Buildings</u>	<u>Plant and Machinery</u>	<u>Furniture and Fixtures</u>	<u>Vehicles</u>	<u>Office Equipments</u>	<u>Leasehold Improvements</u>	<u>Total</u>
<b><u>COST</u></b>								
<b>At January 1, 2017</b>	0.15	2,251.90	1,670.82	513.13	22.91	815.53	4.97	5,279.41
Additions	-	482.59	283.77	112.09	4.96	372.34	-	1,255.75
Disposals	-	-	(76.51)	(0.39)	(10.02)	(2.66)	-	(89.58)
<b>At December 31, 2017</b>	<u>0.15</u>	<u>2,734.49</u>	<u>1,878.08</u>	<u>624.83</u>	<u>17.85</u>	<u>1,185.21</u>	<u>4.97</u>	<u>6,445.58</u>
<b><u>ACCUMULATED DEPRECIATION</u></b>								
<b>At January 1, 2017</b>	-	264.26	1,316.97	414.43	18.57	681.70	4.09	2,700.02
Charge for the period	-	46.73	206.98	39.94	1.75	125.23	0.83	421.46
Disposals	-	-	(76.47)	(0.39)	(10.02)	(2.63)	-	(89.51)
<b>At December 31, 2017</b>	<u>0.00</u>	<u>310.99</u>	<u>1,447.48</u>	<u>453.98</u>	<u>10.30</u>	<u>804.30</u>	<u>4.92</u>	<u>3,031.97</u>
<b><u>NET CARRYING AMOUNT</u></b>								
<b>At December 31, 2017</b>	<u>0.15</u>	<u>2,423.50</u>	<u>430.60</u>	<u>170.85</u>	<u>7.55</u>	<u>380.91</u>	<u>0.05</u>	<u>3,413.61</u>
<hr/>								
<b><u>COST</u></b>								
<b>At January 1, 2016</b>	0.15	2,250.89	1,574.19	508.94	24.64	784.39	4.97	5,148.17
Additions	-	1.01	133.58	4.61	0.17	33.62	-	172.99
Disposals	-	-	(36.95)	(0.42)	(1.90)	(2.48)	-	(41.75)
<b>At December 31, 2016</b>	<u>0.15</u>	<u>2,251.90</u>	<u>1,670.82</u>	<u>513.13</u>	<u>22.91</u>	<u>815.53</u>	<u>4.97</u>	<u>5,279.41</u>
<b><u>ACCUMULATED DEPRECIATION</u></b>								
<b>At January 1, 2016</b>	-	223.72	1,169.28	380.32	17.45	595.12	3.10	2,388.99
Charge for the year	-	40.54	184.45	34.52	2.80	88.90	0.99	352.20
Disposals	-	-	(36.76)	(0.41)	(1.68)	(2.32)	-	(41.17)
<b>At December 31, 2016</b>	<u>-</u>	<u>264.26</u>	<u>1,316.97</u>	<u>414.43</u>	<u>18.57</u>	<u>681.70</u>	<u>4.09</u>	<u>2,700.02</u>
<b><u>NET CARRYING AMOUNT</u></b>								
<b>At December 31, 2016</b>	<u>0.15</u>	<u>1,987.64</u>	<u>353.85</u>	<u>98.70</u>	<u>4.34</u>	<u>133.83</u>	<u>0.88</u>	<u>2,579.39</u>
<b>At January 1, 2016 (deemed cost refer note 3.1 ( c ))</b>	<u>0.15</u>	<u>2,027.17</u>	<u>404.91</u>	<u>128.62</u>	<u>7.19</u>	<u>189.27</u>	<u>1.87</u>	<u>2,759.18</u>

Note:

- Plant and machinery includes computer systems.
- Buildings includes office premises taken on long term finance lease of gross value amounting to Rs. 345.47 million and Rs. 345.47 million as at December 31, 2017 and December 31, 2016 and net carrying value amounting to Rs. 261.81 million and Rs. 268.66 million as at December 31, 2017 and December 31, 2016 respectively.

**HEXAWARE TECHNOLOGIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

(Rupees Million)

**5 Intangible assets**

Intangible assets consist of the following :

	<b>Software Licenses</b>
<b><u>COST</u></b>	
<b>At January 1, 2017</b>	458.32
Additions	53.12
Disposals	-
<b>At December 31, 2017</b>	<u>511.44</u>
<b><u>ACCUMULATED AMORTISATION</u></b>	
<b>At January 1, 2017</b>	357.46
Amortisation for the period	71.90
Disposals	-
<b>At December 31, 2017</b>	<u>429.36</u>
<b><u>NET CARRYING AMOUNT</u></b>	
<b>At December 31, 2017</b>	<u>82.08</u>
<b><u>COST</u></b>	
<b>At January 1, 2016</b>	391.14
Additions	67.18
Disposals	-
<b>At December 31, 2016</b>	<u>458.32</u>
<b><u>ACCUMULATED AMORTISATION</u></b>	
<b>At January 1, 2016</b>	286.48
Amortisation for the year	70.98
Disposals	-
<b>At December 31, 2016</b>	<u>357.46</u>
<b><u>NET CARRYING AMOUNT</u></b>	
<b>At December 31, 2016</b>	<u>100.86</u>
<b>At January 1, 2016 (deemed cost refer note 3.1 ( c ))</b>	<u>104.66</u>

Amortisation is included in statement of profit or loss under the line item "Depreciation and amortisation expense".

**HEXAWARE TECHNOLOGIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

		(Rupees Million)		
6 Investments		As at	As at	As at
A Non Current Investments in Equity shares (unquoted)		<u>December 31,</u>	<u>December 31,</u>	<u>January 1, 2016</u>
	<u>Investments in equity instruments of subsidiaries (at cost)</u>	<u>2017</u>	<u>2016</u>	
	30,026 common stock at no par value in Hexaware Technologies Inc., U.S.A.	1,632.68	1,632.68	1,632.68
	2,167,000 shares of 1 GBP each fully paid up in Hexaware Technologies UK Ltd.	154.64	154.64	154.64
	500,000 shares of Singapore \$ 1/- each fully paid up in Hexaware Technologies Asia Pacific Pte. Ltd., Singapore	12.48	12.48	12.48
	3,618 shares of face value 50 euro each fully paid up in Hexaware Technologies GmbH., Germany	7.57	7.57	7.57
	1 common stock at no par value in Hexaware Technologies Canada Limited, Canada	0.73	0.73	0.73
	1 participation share of no par value in Hexaware Technologies Mexico S De R.L. De C.V.	29.42	29.42	29.42
	40 (December 31, 2016 20, January 1, 2016 5) shares at no par value in Guangzhou Hexaware Information Technologies Company Limited	13.14	6.72	1.66
	Entire Share Capital in Hexaware Technologies Limited Liability Company, Russia	148.60	148.60	80.01
	45,000 shares of SAR 10/- each in Hexaware Technologies Saudi LLC	8.03	-	-
	1,945,000 shares of HKD 1/- each in Hexaware Technologies Hong Kong Limited	16.13	-	-
	500 shares of SEK 100/- each in Hexaware Technologies Nordic AB	0.40	-	-
		<u>2,023.82</u>	<u>1,992.84</u>	<u>1,919.19</u>
	<u>Other Investments</u>			
	<u>At fair value through Other Comprehensive Income</u>			
	240,958 equity shares of Rs. 10/- each in Beta Wind Farm	4.58	4.58	4.58
		<u>2,028.40</u>	<u>1,997.42</u>	<u>1,923.77</u>
	<b>B Current Investments in Mutual Funds (unquoted)</b>			
	<u>At fair value through profit and loss account</u>			
	Mutual fund units	189.19	188.50	409.33

**HEXAWARE TECHNOLOGIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

		(Rupees Million)	
		<u>For year ended</u>	<u>For year ended</u>
		<u>December 31, 2017</u>	<u>December 31, 2016</u>
7	<b>7A Income taxes</b>		
	Income tax expense is allocated as follows :		
	Income tax expense as per the Statement of Profit and Loss	857.64	945.10
	Income tax included in Other Comprehensive Income on :		
	a) Gain / (Loss) on cash flow hedges	34.60	78.14
	b) Remeasurement of defined benefit plan	18.71	(1.66)
		910.95	1,021.58
		910.95	1,021.58

**7B** The reconciliation of estimated income tax expense at the Indian statutory income tax rate to the income tax expenses reported in statement of profit and loss is as follows:

Profit before income-tax	4,967.24	4,459.42
Expected tax expense at the enacted tax rate of 34.608% in India	1,719.06	1,543.32
Tax effect of adjustments to reconcile expected income tax expense to reported income tax expense :		
Income exempt from tax	(906.73)	(623.67)
Tax effect of non-deductible expenses	14.38	11.55
Short provision of taxes of earlier years	16.67	0.15
Others	14.26	13.75
	857.64	945.10
	857.64	945.10

Current income tax expense comprises of taxes on income from operations in India and foreign jurisdictions. In India, substantial part of operations is carried from units in Special Economic Zones notified by the Government which also benefit from the tax exemptions. These units are eligible for the deduction of 100 percent of profits or gains derived from the export of services for the first five years from commencement of provision of services and 50 percent of such profits or gains for a further five years. 50 percent tax benefit is also available for a further period of five years subject to the unit meeting defined conditions of further investments. In respect of certain jurisdictions, where the income tax year is different from the accounting year, provision for current tax is made on the basis of income for the respective accounting year, which will be adjusted considering the total assessable income for the tax year.

**HEXAWARE TECHNOLOGIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

7 Continued .....

(Rupees Million)

7C Components of deferred taxes:	<u>January 1, 2016</u>	<u>Recognised in profit or loss</u>	<u>Recognised in OCI</u>	<u>December 31, 2016</u>	<u>Recognised in profit or loss</u>	<u>Recognised in OCI</u>	<u>December 31, 2017</u>
<b>Deferred tax assets</b>							
Allowance for doubtful debts and advances	10.07	9.18	-	19.25	0.38	-	19.63
Employee benefit obligations	67.49	36.82	-	104.31	(11.65)	-	92.66
Provision for severance pay	0.00	30.00	-	30.00	(27.98)	-	2.02
Minimum alternate tax credit carry forward	917.49	41.10	-	958.59	275.18	-	1,233.77
<b>Total</b>	<b>995.05</b>	<b>117.10</b>	<b>-</b>	<b>1,112.15</b>	<b>235.93</b>	<b>-</b>	<b>1,348.08</b>
<b>Deferred tax liabilities</b>							
Unrealised gain on cash flow hedges	3.86	0.00	78.14	82.00	0.00	34.60	116.60
Depreciation	169.51	13.18	-	182.69	21.77	-	204.46
<b>Total</b>	<b>173.37</b>	<b>13.18</b>	<b>78.14</b>	<b>264.69</b>	<b>21.77</b>	<b>34.60</b>	<b>321.06</b>
<b>Net deferred tax asset</b>	<b>821.68</b>	<b>103.92</b>	<b>(78.14)</b>	<b>847.46</b>	<b>214.16</b>	<b>(34.60)</b>	<b>1,027.02</b>

Deferred income tax assets have not been recognized on temporary differences amounting to approximately Rs. 411.11 million as at December 31, 2017 associated with investment in subsidiaries as it is probable that the temporary differences will not reverse in the foreseeable future.

**HEXAWARE TECHNOLOGIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

(Rupees Million)

	<u>As at</u> <u>December 31,</u> <u>2017</u>	<u>As at</u> <u>December 31,</u> <u>2016</u>	<u>As at</u> <u>January 1, 2016</u>
<b>8 Other financial assets (unsecured) (considered good)</b>			
<b>A <u>Non-current</u></b>			
Interest accrued on bank deposits	0.60	0.94	0.51
Foreign currency derivative assets	136.10	127.69	25.58
Restricted bank balances (a)	7.35	7.41	10.22
Security deposits for premises and others	208.47	192.78	128.06
Share application in subsidiary	-	8.03	-
	<u>352.52</u>	<u>336.85</u>	<u>164.37</u>

(a) Restriction on account of bank deposits held as margin money, earmarked for the non-fund based credit facility.

**B Current**

Interest accrued on bank deposits	1.06	0.49	1.05
Foreign currency derivative assets	586.24	232.42	34.42
Security deposits for premises and others (a)	4.13	31.47	6.27
Loans and advances to related parties (Refer note no. 24)	187.56	145.79	251.07
Employee advances	182.08	195.47	239.09
	<u>961.07</u>	<u>605.64</u>	<u>531.90</u>

(a) Exclude deposits aggregating Rs. 34.56 million, Rs. 34.56 million and Rs. 35.15 million provided as doubtful of recovery basis the expected credit loss model as of December 31, 2017, December 31, 2016 and January 1, 2016 respectively.

**HEXAWARE TECHNOLOGIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

(Rupees Million)

**9 Other assets (unsecured)**

**A Non-current**

	<u>As at</u> <u>December 31,</u> <u>2017</u>	<u>As at</u> <u>December 31,</u> <u>2016</u>	<u>As at</u> <u>January 1, 2016</u>
Capital advances	1.37	25.16	345.13
Prepaid expenses relating to leasehold land *	525.03	531.79	416.60
Other prepaid expenses	7.91	11.69	8.18
Indirect taxes recoverable	81.10	79.99	56.15
	<u>615.41</u>	<u>648.63</u>	<u>826.06</u>

\* includes unamortised lease premium in respect of one parcel of leasehold land allotted to the company at Nagpur for which final lease agreement is being executed amounting to Rs. 80.78 million, Rs. 81.69 million and Rs. 82.60 million as at December 31, 2017, December 31, 2016 and January 1, 2016 and respectively.

**B Current**

Prepaid expenses	173.18	150.37	128.64
Indirect taxes recoverable	140.29	134.19	150.42
Others	2.53	1.12	1.47
	<u>316.00</u>	<u>285.68</u>	<u>280.53</u>

**10 Trade Receivables (unsecured)**

Considered good	4,142.29	2,733.56	3,970.97
Considered doubtful	29.05	28.36	66.67
Less: Allowance for doubtful receivables	(29.05)	(28.36)	(66.67)
	<u>4,142.29</u>	<u>2,733.56</u>	<u>3,970.97</u>

The Company's credit period generally ranges from 30 - 60 days. The age wise break up of trade receivables, net of allowances is given below.

Not Due	1,336.14	1,927.29	1,661.93
Due less than 180 days	2,799.48	785.82	2,284.58
Due more than 180 days	6.67	20.45	24.46
	<u>4,142.29</u>	<u>2,733.56</u>	<u>3,970.97</u>
Average age (days)	99	72	112

Movement in allowance for doubtful receivables

Balance at the beginning of the year	28.36	66.67
Expense for the year	23.27	11.32
Amounts recovered during the year	(21.82)	(49.23)
Exchange rate fluctuations	(0.76)	(0.40)
Balance at the end of the year	<u>29.05</u>	<u>28.36</u>

**11**

**A Cash and cash equivalents**

Remittance in transit	-	-	2.06
In current accounts with banks	844.82	643.46	1,094.55
Bank deposit accounts with less than 3 months maturity	37.71	26.91	3.65
Earmarked balances with banks for buyback	-	1,395.43	-
Unclaimed dividend accounts	150.26	137.66	120.28
Margin money with banks	7.35	7.41	10.22
Less: Restricted bank balances	(157.61)	(145.07)	(130.50)
	<u>882.53</u>	<u>2,065.80</u>	<u>1,100.26</u>

**B Other bank balances**

Restricted bank balances held in unclaimed dividend accounts.	150.26	137.66	120.28
	<u>150.26</u>	<u>137.66</u>	<u>120.28</u>

**HEXAWARE TECHNOLOGIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**12 Equity Share Capital** (Rupees Million)

12.1 <u>Authorised capital</u>	<b>December 31, 2017</b>	<b>December 31, 2016</b>	<b>January 1, 2016</b>
	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>
525,000,000 (475,000,000 as on December 31, 2016 and January 1, 2016) Equity shares of Rs. 2 each	1,050.00	950.00	950.00
1,100,000 Series "A" Preference Shares of Rs.1,421 each	1,563.10	1,563.10	1,563.10
12.2 <u>Issued, subscribed and paid-up capital</u>	<b>December 31, 2017</b>	<b>December 31, 2016</b>	<b>January 1, 2016</b>
	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>
Equity shares of Rs. 2 each	<u>593.61</u>	<u>604.06</u>	<u>603.13</u>
12.3 <u>Reconciliation of number of shares</u>	<b>December 31, 2017</b>	<b>December 31, 2016</b>	
Shares outstanding at the beginning of the year	302,028,195	301,562,897	
Shares issued during the year	470,397	465,298	
Shares bought back during the year	(5,694,835)	-	
Shares outstanding at the end of the year	296,803,757	302,028,195	

12.4 Rights, preferences and restrictions attached to equity shares

The Company has one class of equity shares having a par value of Rs. 2 each. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing annual general meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all liabilities, in proportion to their shareholding.

12.5 Details of shares held by shareholders holding more than 5% shares

<u>Name of Shareholder</u>		<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>January 1, 2016</u>
HT Global IT Solutions Holdings Ltd. (Holding Company)	No. of shares held	211,318,590	215,047,193	215,047,193
	% of holding	71.20%	71.20%	71.31%
HDFC Trustee Company Limited	No. of shares held	18,885,481	-	-
	% of holding	6.36%	-	-

12.6 During the year ended December 31, 2017, the Company bought back 5,694,835 shares at Rs. 240/- per share aggregating Rs. 1,366.76 million by utilisation of Securities premium. The cost relating to buy-back is charged to other equity.

12.7 Shares reserved for issue under options

The Company has granted employee stock options under ESOP 2002, 2007 and 2008 schemes and restricted stock units (RSU's) under the ESOP 2008 and 2015 scheme. Each option / RSU entitles the holder to one equity share of Rs. 2 each. 9,667,235 options / RSU's were outstanding as on December 31, 2017 (9,264,407 options as on December 31, 2016 and 9,844,513 options as on January 1, 2016).

12.8 The dividend per share recognised as distribution to equity shareholders during the year ended December 31, 2017 was Rs. 4.00 per share (year ended December 31, 2016 Rs. 6.90 per share).



HEXAWARE TECHNOLOGIES LIMITED  
NOTES TO THE FINANCIAL STATEMENTS

(Rupees Million)

13 Other reserves

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
1 a) Share options outstanding account		
Opening Balance	448.07	225.56
Add : Compensation related to employee share based payments	349.50	246.74
(Less) : Transferred on exercise of stock options	<u>(65.13)</u>	<u>(24.23)</u>
<b>Closing Balance</b>	<b>732.44</b>	<b>448.07</b>
b) Capital reserve (amalgamation reserve)		
<b>Balance as per last balance sheet</b>	<b>4.38</b>	<b>4.38</b>
c) Capital redemption reserve		
Opening balance	-	-
Add : On buyback of shares during the year	11.39	-
<b>Closing Balance</b>	<b>11.39</b>	<b>-</b>
d) Special Economic Zone Re-Investment Reserve		
Opening Balance	332.95	329.52
Add : Transfer from retained earnings	178.35	177.73
Less: Transfer to retained earnings on utilisation for acquisition of plant & machinery	<u>(487.22)</u>	<u>(174.30)</u>
<b>Closing Balance</b>	<b>24.08</b>	<b>332.95</b>
<b>Total other reserves</b>	<b><u>772.29</u></b>	<b><u>785.40</u></b>

2 Description of component of other equity

- a) Securities premium reserve is used to record the premium received on issue of shares to be utilized in accordance with the provisions of the Act.
- b) General reserve represents appropriation of profits by the Company.
- c) Retained earnings comprise of the accumulated undistributed earnings.
- d) Share options outstanding account is used to record the value of equity-settled share based payment transactions with employees. The amounts recorded in this account are transferred to securities premium upon exercise of stock options by employees.
- e) Capital Redemption reserve is created on buy-back of the equity shares in accordance with the provisions of the act.
- f) The Special Economic Zone Re-Investment Reserve has been created out of profit of eligible SEZ units as per provisions of section 10AA (1)(ii) of the Income-tax Act, 1961 for acquiring new plant and machinery.

**HEXAWARE TECHNOLOGIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

(Rupees Million)

	<u>As at</u>	<u>As at</u>	<u>As at</u>
	<u>December 31,</u>	<u>December 31,</u>	<u>January 1, 2016</u>
	<u>2017</u>	<u>2016</u>	
<b>14 Other financial liabilities</b>			
<b>A Non-current</b>			
Capital creditors	-	1.86	3.39
Foreign currency derivative liabilities	3.40	0.19	23.81
Accrued expenses	2.21	1.95	1.54
	<u>5.61</u>	<u>4.00</u>	<u>28.74</u>
<b>B Current</b>			
Unclaimed dividend *	150.26	137.66	119.92
Capital creditors	120.48	392.34	340.63
Deposit received from customer	0.03	0.03	-
Employee liabilities	342.38	294.92	265.51
Foreign currency derivative liabilities	4.49	1.80	15.34
	<u>617.64</u>	<u>826.75</u>	<u>741.40</u>
*There is no amount due and outstanding to be credited to Investor Education and Protection Fund.			
<b>15 Trade and other payables</b>			
Trade payables	493.36	1,241.22	1,355.22
Accrued expenses	327.54	284.49	240.92
	<u>820.90</u>	<u>1,525.71</u>	<u>1,596.14</u>
<b>16 Other liabilities</b>			
<b>Current</b>			
Unearned revenues	5.49	9.60	25.54
Statutory liabilities	144.27	136.64	147.14
	<u>149.76</u>	<u>146.24</u>	<u>172.68</u>
<b>17 Provisions - Others</b>			
Provision at the beginning of the year	86.67	-	-
Provision made during the year	-	90.00	-
Paid during the year	(51.37)	-	-
Adjusted during the year	(29.48)	(3.33)	-
Provision at the end of the year	<u>5.82</u>	<u>86.67</u>	<u>-</u>

Above represents provisions towards expenditure relating to employee benefit obligations on contract acquisition, the outflow for which is expected within the next year.

**HEXAWARE TECHNOLOGIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

18 Other income	(Rupees Million)	
	<u>For year ended</u>	<u>For year ended</u>
	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Dividend	8.45	12.44
Interest income	7.86	5.24
Profit on sale of PPE (net)	2.44	1.55
Miscellaneous income	10.41	16.38
	<u>29.16</u>	<u>35.61</u>
<b>19 Software and development expenses</b>		
Consultant travel and related expenses	211.63	180.18
Software expenses *	335.38	267.29
	<u>547.01</u>	<u>447.47</u>
* includes sub- contracting charges	309.73	238.49
<b>20 Employee benefits expense</b>		
Salary and allowances	6,731.01	6,178.62
Contribution to provident and other funds	464.12	423.88
Staff welfare expenses	346.96	335.03
Employee stock option compensation cost (Refer note no. 26)	221.33	246.74
	<u>7,763.42</u>	<u>7,184.27</u>
<b>21 Operation and other expenses</b>		
Rent	216.04	187.46
Rates and taxes	24.31	23.50
Travelling and conveyance	378.90	355.06
Electricity charges	229.20	208.47
Communication expenses	165.99	172.53
Repairs and maintenance	309.88	281.05
Printing and stationery	31.55	26.06
Auditors remuneration		
- Audit fees	5.73	5.54
- Tax audit fees	1.30	1.68
- Certification work, taxation and other matters	2.23	5.25
Legal and professional fees	159.53	115.05
Advertisement and business promotion	83.53	72.44
Bank and other charges	6.49	4.22
Directors' sitting fees	1.75	1.22
Insurance charges	17.95	14.74
Debts and advances written off	3.30	15.18
Provision for doubtful accounts (net of write back)*	1.45	(38.51)
Staff recruitment expenses	112.30	66.00
Service charges	185.68	154.38
Miscellaneous expenses	98.87	63.86
	<u>2,035.98</u>	<u>1,735.18</u>

**HEXAWARE TECHNOLOGIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**22 Financial Instruments**

22.1 The carrying value / fair value of financial instruments (excluding investments in subsidiaries) by categories is as follows:

**(Rupees Million)**

<b>December 31, 2017</b>	Amortised <u>Cost</u>	Fair value through profit <u>and loss</u>	Fair value through other comprehensive <u>income</u>	Derivative instrument in hedging <u>relationship</u>	Total carrying / <u>fair value</u>
Cash and cash equivalents	882.53	-	-	-	882.53
Other bank balances	150.26	-	-	-	150.26
Investments in mutual fund units	-	189.19	-	-	189.19
Trade receivables	4,142.29	-	-	-	4,142.29
Unbilled revenue	329.92	-	-	-	329.92
Other financial assets	591.25	-	-	722.34	1,313.59
Investments in equity shares	-	-	4.58	-	4.58
	<u>6,096.25</u>	<u>189.19</u>	<u>4.58</u>	<u>722.34</u>	<u>7,012.36</u>
Trade payables	820.90	-	-	-	820.90
Other financial liabilities	615.36	-	-	7.89	623.25
	<u>1,436.26</u>	<u>-</u>	<u>-</u>	<u>7.89</u>	<u>1,444.15</u>

**(Rupees Million)**

<b>December 31, 2016</b>	Amortised <u>Cost</u>	Fair value through profit <u>and loss</u>	Fair value through other comprehensive <u>income</u>	Derivative instrument in hedging <u>relationship</u>	Total carrying / <u>fair value</u>
Cash and cash equivalents	2,065.80	-	-	-	2,065.80
Other bank balances	137.66	-	-	-	137.66
Investments in mutual fund units	-	188.50	-	-	188.50
Trade receivables	2,733.56	-	-	-	2,733.56
Unbilled revenue	495.77	-	-	-	495.77
Other financial assets	582.38	-	-	360.11	942.49
Investments in equity shares	-	-	4.58	-	4.58
	<u>6,015.17</u>	<u>188.50</u>	<u>4.58</u>	<u>360.11</u>	<u>6,568.36</u>
Trade payables	1,525.71	-	-	-	1,525.71
Other financial liabilities	828.76	-	-	1.99	830.75
	<u>2,354.47</u>	<u>-</u>	<u>-</u>	<u>1.99</u>	<u>2,356.46</u>

**(Rupees Million)**

<b>January 1, 2016</b>	Amortised <u>Cost</u>	Fair value through profit <u>and loss</u>	Fair value through other comprehensive <u>income</u>	Derivative instrument in hedging <u>relationship</u>	Total carrying / <u>fair value</u>
Cash and cash equivalents	1,100.26	-	-	-	1,100.26
Other Bank Balances	120.28	-	-	-	120.28
Investments in mutual fund units	-	409.33	-	-	409.33
Trade receivables	3,970.97	-	-	-	3,970.97
Unbilled revenue	351.66	-	-	-	351.66
Other financial assets	636.27	-	-	60.00	696.27
Investments in equity shares	-	-	4.58	-	4.58
	<u>6,179.44</u>	<u>409.33</u>	<u>4.58</u>	<u>60.00</u>	<u>6,653.35</u>
Trade payables	1,596.14	-	-	-	1,596.14
Other financial liabilities	730.99	-	-	39.15	770.14
	<u>2,327.13</u>	<u>-</u>	<u>-</u>	<u>39.15</u>	<u>2,366.28</u>

Carrying amount of cash and cash equivalents, other bank balances, trade receivables, unbilled revenue, trade payables, other financial assets and liabilities approximate the fair value because of their short term nature. Difference between carrying amounts and fair values of, other financial assets and liabilities subsequently measured at amortised cost is not significant in each of the years presented.

**HEXAWARE TECHNOLOGIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**22.1 Financial Instruments (contd...)**

**Fair value hierarchy**

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability

The following table presents fair value hierarchy of financial assets and liabilities measured at fair value on a recurring basis:

	(Rupees Million)			
<u>December 31, 2017</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Mutual fund units	189.19	-	-	189.19
Investments in equity shares	-	-	4.58	4.58
Derivative financial assets	-	722.34	-	722.34
	189.19	722.34	4.58	916.11
Derivative financial liabilities	-	7.89	-	7.89
<u>December 31, 2016</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Mutual fund units	188.50	-	-	188.50
Investments in equity shares	-	-	4.58	4.58
Derivative financial assets	-	360.11	-	360.11
	188.50	360.11	4.58	553.19
Derivative financial liabilities	-	1.99	-	1.99
<u>January 1, 2016</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Mutual fund units	409.33	-	-	409.33
Investments in equity shares	-	-	4.58	4.58
Derivative financial assets	-	60.00	-	60.00
	409.33	60.00	4.58	473.91
Derivative financial liabilities	-	39.15	-	39.15

**Valuation Technique**

Investment in mutual funds is measured at the redemption price declared by the mutual fund. Derivatives are measured basis the counterparty quotes obtained. Cost of investment in equity shares is considered to be representative of fair value.

## **HEXAWARE TECHNOLOGIES LIMITED**

### **NOTES TO FINANCIAL STATEMENTS**

#### **22 Financial Instruments (Cont'd)**

##### **22.2 Financial risk management**

The Company has identified the risks under verticals like Geographic and client concentration risk, credit risk, foreign currency fluctuation risk and liquidity risk. The Company has formulated policies, procedures and strategies for managing risks which is affirmed by global CEO and CFO, after consultation with all business units, functions and department heads.

##### **Geographic and client concentration risk**

In year 2017, Americas contributed 74% of the Company's total revenue (previous year 75%). The Company continues to expand its global footprint to diversify geographic concentration though Americas remains largest market for the IT industry. The Company's exposure to the US regions is in line with the global industry practices. The Company will continue to invest in the region. There are a number of other growth factors in Americas such as favour for capitalism, highest per capita income, innovation driven culture and focus to retain high end work that allow us to identify and address the pockets of inefficiencies in the most optimum way.

81% and 82% of the revenue of 2017 and 2016, respectively is generated from top 10 clients, the concentration is high for standalone as customers include subsidiaries wherein contracts with end customers are entered by such subsidiaries. At consolidated level, the concentration of revenue from top 10 customers is at 55% for the year 2017. Any loss or major downsizing by these clients may impact Company's profitability. Further, excessive exposure to particular clients will limit Company's negotiating capacity and expose to higher credit risk.

The Company is able to maintain a diversified high quality client roster that can be accessed through the depth of relationships with existing clients.

The Company's growth strategy involves a mix of new client addition and mining the accounts of existing clients. As we add more clients and grow our revenues from the existing clients, we naturally reduce our dependence on the large clients. Moreover, large clients allow quick scaling up of revenues and they come with higher margins due to lower associated cost and higher cost predictability.

##### **Credit risk**

Since most of our transactions are done on credit, we are exposed to credit risk on accounts receivable. Any delay, default or inability on the part of the client to pay on time will expose us to credit risk and can impact our profitability. Our maximum credit exposure is in respect of trade receivables of Rs.4,142.29 million, Rs.2,733.56 million and Rs.3,970.97 million as at December 31, 2017, December 31, 2016 and January 1, 2016 respectively and unbilled revenue of Rs 329.92 million, Rs. 495.77 million and Rs. 351.66 million as at December 31, 2017, December 31, 2016 and January 1, 2016, respectively.

Top 10 customer dues contribute 88% of the total outstanding as at December 31, 2017 and as at December 31, 2016.

Cash and cash equivalents and investments in mutual funds are neither past due nor impaired. Cash and cash equivalents include deposits with nationalised banks. The investment in liquid mutual fund units are measured at fair value through profit and loss.

**HEXAWARE TECHNOLOGIES LIMITED****NOTES TO FINANCIAL STATEMENTS****22 Financial Instruments (Cont'd)****22.2 Financial risk management (Cont'd)****Foreign Currency fluctuations Risk**

Foreign exchange fluctuations is one of the key risks impacting our business. The offshore part of the revenue remains exposed to the risk of Rupee appreciation which is functional currency of the Company vis-a-vis the US Dollar, the Euro and other foreign currencies, as largely, the costs incurred are in Indian Rupees and the revenue/inflows are in foreign currencies. The contracts we enter into with our customers tend to run across several years and many of these contracts are at fixed rates, therefore any appreciation in the Indian rupee vis-à-vis foreign currencies will affect our margins.

The Foreign Exchange Risk Management Policy authorized by the Forex Committee of the Board takes these circumstances into account and authorizes hedging on a systematic basis. These risks have been effectively addressed by the processes and controls laid out in the Foreign Exchange Risk Management Policy. The hedge ratio assigned to the exposures depends on the time horizon in which they fall, the near term exposures get a higher ratio whereas the farther exposures get a lower ratio. This graded approach ensures that hedges are spread across the hedge horizon in a tapered down manner. The exposure as indicated below is net of derivative contracts entered into by the Company.

**(Rupees Million)**

The following table analyses foreign currency risk from financial instruments as at December 31, 2017:

	<u>USD</u>	<u>EUR</u>	<u>GBP</u>	<u>Others*</u>
Net financial assets	3,146.84	78.41	124.30	300.94
Net financial liabilities	<u>334.98</u>	<u>5.87</u>	<u>7.51</u>	<u>3.04</u>
Net assets/(liabilities)	<u><u>2,811.86</u></u>	<u><u>72.54</u></u>	<u><u>116.80</u></u>	<u><u>297.90</u></u>

**(Rupees Million)**

The following table analyses foreign currency risk from financial instruments as at December 31, 2016:

	<u>USD</u>	<u>EUR</u>	<u>GBP</u>	<u>Others*</u>
Net financial assets	3,125.02	39.19	58.69	123.31
Net financial liabilities	<u>1,076.23</u>	<u>19.78</u>	<u>4.06</u>	<u>8.92</u>
Net assets/(liabilities)	<u><u>2,048.79</u></u>	<u><u>19.41</u></u>	<u><u>54.63</u></u>	<u><u>114.39</u></u>

10% depreciation/appreciation of the respective foreign currencies vis-a-vis functional currency of the Company would result in the increase/ decrease in Company's profit before tax approximately by Rs. 329.91 million and Rs. 223.72 million for the year ended December 31, 2017 and December 31, 2016, respectively.

\*Others include currencies such as Singapore Dollars, Canadian Dollars, United Arab Emirates Dirhams, Philippine Pesos, Japanese Yens, Australian Dollars etc.

The Company uses derivative financial instruments such as foreign exchange forward contracts to mitigate the risk of changes in foreign exchange rates on trade receivables and forecasted cash flows denominated in certain foreign currencies.

Outstanding hedges by way of forward contracts are as follows :

**(In Million)**

<b>Currency Hedged</b>	<b>As at December 31, 2017</b>	<b>As at December 31, 2016</b>	<b>As at January 1, 2016</b>
Sell USD	152.88	141.82	156.94
Sell Euro	3.90	4.20	5.60
Sell GBP	7.50	4.20	4.20

The weighted average forward rate for the hedges outstanding as at December 31, 2017 is Rs. 70.98, Rs. 82.16 and Rs. 91.87 (As at December 31, 2016 Rs. 72.57, Rs. 81.26 and Rs. 101.71) for USD, Euro and GBP, respectively. The hedges mature over the eight quarters.

10% depreciation/appreciation of the respective foreign currencies would result in the increase/ decrease in Company's other comprehensive income approximate by Rs. 948.12 million and Rs. 900.56 million for the year ended December 31, 2017 and December 31, 2016, respectively.

**HEXAWARE TECHNOLOGIES LIMITED**  
**NOTES TO FINANCIAL STATEMENTS**

**22 Financial Instruments (Cont'd)**

The movement in accumulated other comprehensive income on account of derivatives designated as cash flow hedges is as under:

	<b>For year ended</b>	<b>Rupees Million</b>
	<b>December 31,</b>	<b>For year ended</b>
	<b>2017</b>	<b>December 31, 2016</b>
Balance at the beginning of the year	240.78	12.11
Less: Net gains transferred to statement of profit or loss on occurrence of forecasted hedge transaction	(595.35)	(147.35)
Add: Changes in the fair value of the effective portion of outstanding cash flow hedges	855.00	454.16
Less : Deferred tax adjustment on CFHR	(34.60)	(78.14)
Balance at the end of the year	<u>465.83</u>	<u>240.78</u>

There were no material hedge ineffectiveness for the year ended December 31, 2017 and December 31, 2016.

**Liquidity risk**

The Company needs continuous access to funds to meet short and long term strategic investment requirements. The Company's inability to meet such requirements in stipulated period may hamper growth plan and even ongoing operations. Further, the Company's inability to quickly convert assets into cash without incurring any material loss will expose it to liquidity risks.

As at December 31, 2017, the Company had total cash / bank balance and investments in Mutual Funds of Rs. 1,229.33 million (as at December 31, 2016 Rs 2,399.37 million) which constitutes approximately 7% of total assets (previous year 14%). The Company does not have any debt.

The tables below provide details of the contractual maturities of significant financial liabilities as at:

	<b>(Rupees Million)</b>		
<b>As at December 31, 2017</b>	<b>Less than 1</b>	<b>1-2 years</b>	<b>Total</b>
	<b>year</b>		
Trade and other payables	820.90	-	820.90
Derivative financial liabilities	4.49	3.40	7.89
Others (Refer note 14)	613.15	2.21	615.36
<b>Total</b>	<u>1,438.54</u>	<u>5.61</u>	<u>1,444.15</u>

	<b>(Rupees Million)</b>		
<b>As at December 31, 2016</b>	<b>Less than 1</b>	<b>1-2 years</b>	<b>Total</b>
	<b>year</b>		
Trade and other payables	1,525.71	-	1,525.71
Derivative financial liabilities	1.80	0.19	1.99
Others (Refer note 14)	824.95	3.81	828.76
<b>Total</b>	<u>2,352.46</u>	<u>4.00</u>	<u>2,356.46</u>

	<b>(Rupees Million)</b>		
<b>As at January 1, 2016</b>	<b>Less than 1</b>	<b>1-2 years</b>	<b>Total</b>
	<b>year</b>		
Trade and other payables	1,596.14	-	1,596.14
Derivative financial liabilities	15.34	23.81	39.15
Others (Refer note 14)	726.06	4.93	730.99
<b>Total</b>	<u>2,337.54</u>	<u>28.74</u>	<u>2,366.28</u>

**Interest rate risk**

The Company does not have any debt. The balances with banks and financial institution is in the form of current account, fixed interest rate deposits. Accordingly , the Company is not exposed to significant interest rate risk.

**Capital management**

The Company's objectives when managing capital is to maintain optimal capital structure to continue to provide for adequate capital in the business, returns for shareholders and benefits for other stakeholders in the form of dividends, return of capital or issue of new shares.



**HEXAWARE TECHNOLOGIES LIMITED****NOTES TO FINANCIAL STATEMENTS****23 Earnings per share**

The components of basic and diluted earnings per share (EPS) were as follows:

	<u>Year ended</u>	
	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Net profit after tax ( Rupees Million )	4,109.60	3,514.32
Weighted average outstanding equity shares considered for basic EPS (Nos.)	297,430,061	301,814,066
Basic earnings per share (In Rupees)	<u>13.82</u>	<u>11.64</u>
Weighted average outstanding equity shares considered for basic EPS (Nos.)	297,430,061	301,814,066
Add : Effect of dilutive issue of stock options (Nos.)	<u>4,272,786</u>	<u>2,630,374</u>
Weighted average outstanding equity shares considered for diluted EPS (Nos.)	301,702,847	304,444,440
Diluted earnings per share (In Rupees)	<u>13.62</u>	<u>11.54</u>

**24 Related party disclosures**

Name of the Related Parties	Country
<b>Ultimate Holding company and its Subsidiaries</b>	
Baring Private Equity Asia GP V. LP ( ultimate holding entity) (control exists)	Cayman Island
The Baring Asia Private Equity Fund V, LP	Cayman Island
Baring Private Equity Asia V Mauritius Holding (4) Limited	Mauritius
<b>Holding Company (control exists)</b>	
HT Global IT Solutions Holdings Limited	Mauritius
<b>Subsidiaries</b>	
Hexaware Technologies Inc.	United States of America
Hexaware Technologies UK Ltd.	United Kingdom
Hexaware Technologies Asia Pacific Pte. Ltd.	Singapore
Hexaware Technologies GmbH.	Germany
Hexaware Technologies Canada Ltd.	Canada
Hexaware Technologies, Mexico S. De. R.L. De. C.V.	Mexico
Hexaware Technologies DO Brazil Ltd, Brazil <sup>(1)</sup>	Brazil
Guangzhou Hexaware Information Technologies Company Limited	China
Hexaware Technologies LLC	Russia
Hexaware Technologies Saudi LLC	Saudi Arabia
Hexaware Technologies Romania SRL <sup>(2)</sup>	Romania
Hexaware Technology and Business Solutions, Inc. <sup>(3)</sup>	USA
Hexaware Technologies Hong Kong Limited <sup>(4)</sup>	China
Hexaware Technologies Nordic AB <sup>(5)</sup>	Sweden
Digitech Technologies Incorporated <sup>(6)</sup>	USA
Shanghai Hexaware Information Technologies Company Limited <sup>(7)</sup>	China
<b>Associate</b>	
Experis Technology Solutions Pte Ltd <sup>(8)</sup>	Singapore
<b>Key Management Personnel (KMP)</b>	
<b>Executive Director and CEO</b>	
Mr. R Srikrishna	
<b>Non-executive directors</b>	
Mr. Atul K Nishar	
Mr. Jimmy Mahtani	
Mr. Kosmas Kalliarekos	
Mr. Dileep Choksi	
Mr. Bharat Shah	
Mr. P R Chandrasekar	
Ms. Meera Shankar	
Mr. Christian Oecking	
Mr. Basab Pradhan	
<b>Notes:</b>	
1. Subsidiary of Hexaware Technologies UK Ltd	
2. Subsidiary of Hexaware Technologies UK Ltd, formed on September 28, 2016	
3. Subsidiary of Hexaware Technologies Inc, formed on March 23, 2017 and closed on August 17, 2017	
4. Formed on April 18, 2017	
5. Formed on September 7, 2017	
6. Subsidiary of Hexaware Technologies Inc, formed on November 13, 2017	
7. Formed on December 15, 2017	
8. Associate of Hexaware Technologies Asia Pacific Pte Ltd w.e.f. December 16, 2016.	

**HEXAWARE TECHNOLOGIES LIMITED**
**NOTES TO FINANCIAL STATEMENTS**
**Details of transactions and balances with party wise details for transactions in excess of 10% of the total transactions**

Rupees Million

Nature of transactions	Name of the Related party and Relationship	Year ended	
		December 31, 2017	December 31, 2016
Investment made	<b>Subsidiaries</b>		
	Guangzhou Hexaware Information Technologies Company Limited	6.42	5.06
	Hexaware Technologies Saudi LLC	-	8.03
	Hexaware Technologies Nordic AB	0.40	-
	Hexaware Technologies Hong Kong Limited	16.13	-
	Hexaware Technologies LLC - Russia	-	68.59
		<b>22.95</b>	<b>81.68</b>
Software and consultancy income	<b>Subsidiaries</b>		
	Hexaware Technologies Inc.	8,118.86	6,362.66
	Hexaware Technologies UK Ltd.	1,068.63	1,010.92
	Others	451.97	533.66
		<b>9,639.46</b>	<b>7,907.24</b>
	<b>Associate</b>		
Experis Technology Solutions Pte Ltd	103.73	-	
		<b>103.73</b>	-
Software and development expenses - subcontracting charges	<b>Subsidiaries</b>		
	Hexaware Technologies Inc.	152.64	181.83
		<b>152.64</b>	<b>181.83</b>
Reimbursement of cost to	<b>Subsidiaries</b>		
	Hexaware Technologies UK Ltd.	23.80	14.09
	Hexaware Technologies Asia Pacific Pte Ltd	-	2.82
	Hexaware Technologies Inc.	15.60	0.99
	Others	0.05	0.05
		<b>39.45</b>	<b>17.95</b>
Recovery of cost from	<b>Subsidiaries</b>		
	Hexaware Technologies Inc. ((including recovery of ESOP cost Rs. 128.17 Million during 2017)	564.24	446.75
	Hexaware Technologies UK Ltd.	242.00	248.78
	Others	41.35	33.81
		<b>847.59</b>	<b>729.34</b>
	<b>Holding Company</b>		
HT Global IT Solutions Holdings Limited	3.82	-	
	<b>3.82</b>	-	
Remuneration to KMP and Directors	Short term employee benefits	3.73	3.82
	Share based payment	49.87	48.55
	Commission and other benefits to non-executive directors	40.41	40.33
		<b>94.01</b>	<b>92.70</b>

**Outstanding Balances**

Rupees Million

Name of the Related party and Relationship	As on 31st December 2017	As on 31st December 2016	As on 1st January 2016
<b>Subsidiaries</b>			
Investment in equity (Including share application money) (Refer note no 6A & 6B)	2,023.82	2,000.87	1,919.19
<b>Trade and other receivable</b>			
- Hexaware Technologies Inc	3,008.39	1,743.35	2,885.15
- Others	317.75	176.14	295.48
	<b>3,326.14</b>	<b>1,919.49</b>	<b>3,180.63</b>
<b>Trade payable - towards services and reimbursement of cost</b>			
- Hexaware Technologies Inc	280.35	1,036.23	1,127.76
- Others	12.06	5.37	62.56
	<b>292.41</b>	<b>1,041.60</b>	<b>1,190.32</b>
<b>Trade receivable from Associate</b>	18.85	-	-
<b>Payable to / Provision for KMP's and Directors</b>	38.55	38.10	31.98

**HEXAWARE TECHNOLOGIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

- 25 The Company takes on lease office space and accommodation for its employees under various operating leases. The lease term ranges between 1 year to 5 year with option to renew. The lease rentals towards operating lease agreements recognised in the Statement of Profit and Loss for the year is Rs. 216.04 million (Previous year Rs 187.46 million)

The future minimum lease payments and payment profile of the non-cancellable operating leases are as follows:

Rupees Million			
Particulars	December 31, 2017	December 31, 2016	January 1, 2016
Not later than one year	177.02	143.50	39.62
Later than one year and not later than five years	180.22	232.29	90.94
<b>Total</b>	<b>357.24</b>	<b>375.79</b>	<b>130.56</b>

**26 Share Based Compensation**

- a) The Remuneration and Compensation Committee ('Committee') of the Company administers the stock options plans viz. ESOP 2002, 2007, 2008 and 2015 plan. Under the plans, the employees of the Company as well as its subsidiaries are granted options/ Restricted Stock Options (RSU) entitling them to one equity share of Rs 2/- each for each option granted. Exercise price is the market price of the shares of the Company at the grant date or the price determined by the Committee. During the year, the Company extended the vesting period (at an option of the RSU holder) by one year for the certain RSU's holders. The modification did not have material impact. The Options / RSU's vest over a period of 1 to 5 years from the date of grant on the basis of service period and/or achievement of performance conditions. The maximum time available to exercise upon vesting is 6 years.

- b) The particulars of number of options granted and lapsed under the aforementioned Schemes are tabulated below

Particulars	ESOP - 2002		ESOP - 2007		ESOP - 2008		ESOP - 2015		Total	
	Options (nos.)	Weighted ex. Price per share (Rs.)	Options (nos.)	Weighted ex. Price per share (Rs.)	Options/RSU's (nos.)	Weighted ex. Price per share (Rs.)	RSU's (nos.)	Weighted ex. Price per share (Rs.)	Options/RSU's (nos.)	Weighted ex. Price per share (Rs.)
Outstanding at the beginning of the year	-	-	427,750	62.79	3,632,751	2.00	5,203,906	2.00	9,264,407	4.81
	(23,000)	(12.45)	(839,575)	(48.69)	(4,124,814)	(2.00)	(4,857,124)	(2.00)	(9,844,513)	(6.01)
Granted during year	-	-	-	-	-	-	2,295,605	2.00	2,295,605	2.00
	(-)	(-)	(-)	(-)	(-)	(-)	(1,048,312)	(2.00)	(1,048,312)	(2.00)
Exercised during the year	-	-	181,750	61.62	25,742	2.00	262,905	2.00	470,397	25.04
	(23,000)	(12.45)	(334,325)	(37.55)	(69,843)	(2.00)	(38,130)	(2.00)	(465,298)	(28.06)
Lapsed during the year	-	-	66,750	57.14	702,770	2.00	652,860	2.00	1,422,380	4.59
	(-)	(-)	(77,500)	(18.97)	(422,220)	(2.00)	(663,400)	(2.00)	(1,163,120)	(3.13)
Outstanding at the year end	-	-	179,250	66.07	2,904,239	2.00	6,583,746	2.00	9,667,235	3.19
	(-)	(-)	(427,750)	(62.79)	(3,632,751)	(2.00)	(5,203,906)	(2.00)	(9,264,407)	(4.81)
Exercisable as at the year end	-	-	179,250	66.07	246,094	2.00	428,988	2.00	854,332	15.44
	(-)	(-)	(427,750)	(62.79)	(271,836)	(2.00)	(548,099)	(2.00)	(1,247,685)	(22.84)

Previous year figures are given in bracket

- c) The weighted average share price of options exercised on the date of exercise was Rs. 215.29 per share and Rs. 220.80 per share for the year ended December 31, 2017 and December 31, 2016 respectively.

- d) Range of exercise price and weighted average remaining contractual life (in months) for the options outstanding:

Range of exercise price	December 31, 2017		December 31, 2016		January 1, 2016	
	Options/RSU's (Nos)	Life	Options/RSU's (Nos)	Life	Options (Nos)	Life
2- 12.45	9,487,985	38	8,836,657	47	9,263,738	55
40.28	-	-	57,000	7	57,000	19
59.08 - 79.85	179,250	3	370,750	15	523,775	27
<b>Total</b>	<b>9,667,235</b>		<b>9,264,407</b>		<b>9,844,513</b>	

- e) The fair values of the RSU's granted in year 2017 and 2016 are determined using Black Scholes Option pricing model using following assumptions:

Particulars	Year 2017	Year 2016
Weighted Average fair value (Rs.)	232.32	189.47
Weighted Average share price (Rs.)	247.04	213.63
Dividend Yield (%)	1.40- 2.82	3.73- 4.14
Expected Life (years)	1.25- 4.35	1.32-3.85
Risk free interest rate (%)	6.26- 6.73	6.41- 7.42
Volatility (%)	28.97- 37.13	37.03- 39.39

The expected volatility is determined based on historical volatility.

**HEXAWARE TECHNOLOGIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**27 Employee benefit plans**

**i) Provident Fund, Superannuation Fund and Other Similar Funds**

Both the employees and the Company make monthly contributions to the Provident Fund Plan equal to a specified percentage of the covered employee's salary. In respect of the Company's employees enrolled with the Hexaware Technologies Limited Employees Provident Fund Trust (the 'Trust'), the Company pays a part of the contributions to the Trust. The remaining portion of Company's contribution in respect of such employees and entire contribution in respect of other employees is contributed to the Government administered employee Provident and Pension Fund.

The interest rate payable by the Trust to the beneficiaries every year is being notified by the Government. The Company has an obligation to make good the short fall, if any, between the return from the investments of the trust and the notified interest rate. The actuary has accordingly provided a valuation and based on the fund position and assumptions mentioned below, there is no shortfall as at December 31, 2017.

<b>Particulars</b>	<b>Rupees Million</b>		
	<b>December 31, 2017</b>	<b>December 31, 2016</b>	<b>January 1, 2016</b>
Present value of benefit obligation	2,934.93	2,529.28	2,178.84
Fair value of plan assets	2,934.93	2,529.28	2,178.84
Expected Investment Return	8.75%	8.68%	8.91%
Remaining term of maturities of plan assets	6.35 years	6.97 years	7.41 years
Expected guaranteed interest rates	8.65%	8.65%	8.75%

Certain employees of the Company are entitled to benefits under the superannuation plan, a defined contribution plan. The Company makes quarterly voluntary contributions under the superannuation plan to LIC based on a specified percentage of each covered employees salary and recognises such contributions as an expense when incurred and has no further obligation to the plan beyond such contributions.

During the year, the Company has recognized expenses towards contributions to provident fund and other funds and superannuation funds of Rs. 317.03 million (Previous year Rs 280.85 million) and Rs 8.33 million (Previous year Rs 5.04 million), respectively.

**HEXAWARE TECHNOLOGIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**27 Employee benefit plans (contd. )**

**ii) Gratuity Plan**

The Company makes annual contribution to the Employee's Company Gratuity Assurance Scheme, administered by the Life Insurance Corporation of India ('LIC'), a funded defined benefit plan for qualifying employees. The scheme provides for lump sum payment to vested employees at retirement, death while in employment or on termination of employment based on completed years of service or part thereof in excess of six months. Vesting occurs on completion of five years of service.

The following table sets out the status of the gratuity plan for the year ended December 31 :

**Rupees Million**

Particulars	2017	2016
<b>Change in Defined Benefit Obligation</b>		
<b>Opening defined benefit obligation</b>	<b>647.55</b>	<b>544.30</b>
Current service cost	133.19	116.35
Interest cost	41.71	42.08
Adjustment for remeasurement of defined benefit plan		
- Actuarial loss/(gains) arising from change in financial assumptions	(30.83)	91.50
- Actuarial loss/(gains) arising from change in demographical assumptions	(20.31)	(2.94)
- Actuarial loss/(gains) arising on account of experience changes	(52.09)	(83.37)
Benefits paid	(60.16)	(60.37)
<b>Closing defined benefit obligation</b>	<b>659.05</b>	<b>647.55</b>
<b>Change in the Fair Value of Assets</b>		
<b>Opening fair value of plan assets</b>	<b>440.89</b>	<b>415.27</b>
Interest on plan assets	31.21	34.87
Remeasurement due to actual return on plan assets less interest on plan assets	0.00	(2.74)
Contribution by employer	137.83	53.86
Benefits paid	(60.16)	(60.37)
<b>Closing fair value of plan assets</b>	<b>549.78</b>	<b>440.89</b>
<b>Net liability as per actuarial valuation</b>	<b>109.27</b>	<b>206.66</b>
<b>Expense charged to statement of profit and loss:</b>		
Current service cost	133.19	116.35
Net Interest on defined benefit plan	10.49	7.24
<b>Total Included in Employment expenses</b>	<b>143.68</b>	<b>123.59</b>
<b>Amount recognised in other comprehensive income:</b>		
Remeasurement of defined benefit plan due to -		
- changes in financial assumptions	(30.83)	91.50
- changes in demographical assumptions	(20.31)	(2.94)
- Experience adjustments	(52.09)	(83.37)
- Actual return on plan assets less interest on plan assets	(0.00)	2.74
<b>Total amount recognised in other comprehensive income</b>	<b>(103.24)</b>	<b>7.93</b>
<b>Actual return on plan assets</b>	<b>31.22</b>	<b>32.13</b>
<b>Category of assets - Insurer Managed Fund #</b>	<b>549.78</b>	<b>440.89</b>

# Since the investments are held in the form of deposit with the LIC, these are not volatile, the market value of assets is the cost value of assets and has been accordingly considered for the above disclosures.

The Company is expected to contribute Rs. 100 million to gratuity funds for the year ending December 31, 2018

Financial assumptions at the valuation date	Year 2017	Year 2016
Discount rate	7.45%	6.70%
Rate of increase in compensation levels of covered employees *	6% to 10%	6% to 10%
Rate of Return on Plan assets	7.45%	6.70%

\* The estimates of future salary increases considered in actuarial valuation takes into account the inflation, seniority, promotions and other relevant factors.

The following table summarises the impact in percentage terms on the reported defined benefit obligation at the end of the reporting period arising on account of an increase or decrease in the reported assumption by 50 basis points:

Impact on defined benefit obligation	December 31, 2017	
	Discount Rate	Salary Escalation Rate
Increase in 50 bps	-4.21%	4.49%
Decrease in 50 bps	4.52%	-4.22%

Impact on defined benefit obligation	December 31, 2016	
	Discount Rate	Salary Escalation Rate
Increase in 50 bps	-5.02%	5.36%
Decrease in 50 bps	5.44%	-5.00%

**Projected plan cash flow**

The table below shows the expected cash flow profile of the benefits to be paid to the current membership of the plan based on past service of the employees as at the valuation date.

Maturity profile	Rupees Million
Year 1	62.85
Year 2	57.42
Year 3	54.69
Year 4	55.20
Year 5	55.13
Thereafter	1,183.20

The weighted average duration to the payment of these cash flows is 8.72 years.

## HEXAWARE TECHNOLOGIES LIMITED

### NOTES TO FINANCIAL STATEMENTS

#### 28 Segments

As per Ind AS 108 on "Operating Segments", segment reporting information has been provided under the notes to the consolidated financial statements.

#### 29 Corporate Social Responsibility

a) Gross Amount required to be spent by the Company during the year is Rs 82.97 million (Previous year Rs. 80.68 million)

b) Amount spent during the year on :

Sr.No.	Particulars	Amount Paid	Amount yet to be paid	Total
1	Construction/ acquisition of any asset	- (-)	- (-)	- (-)
2	On purpose other than (1) above	70.02 (40.75)	0.15 (0.46)	70.17 (41.21)

#### 30 Contingent liabilities and commitments

##### 30.1 Contingent liabilities

Claims not acknowledged as debt Rs. 28.14 million (Rs 28.14 million as at December 31, 2016 and Rs 28.14 million as at January 1, 2016), being a claim from landlord of a premise occupied by the Company in an earlier year. The Company is confident of successfully contesting the aforesaid matter and does not expect any outflow on this count.

##### 30.2 Claims for taxes on income

*Where Company is in appeal*

Income tax demands of Rs. 9.59 million (Rs 9.59 million as on December 31, 2016 and Rs. 9.74 million as on January 1, 2016) have been raised in respect of assessments completed in earlier year, arising from certain disallowances by the Income tax authorities. The Company has appealed against the orders and based on merit, expects favourable outcome. Hence, no provision against such demand is considered necessary.

30.3 Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances) Rs. 56.90 million (Rs. 280.93 million as at December 31, 2016 and Rs 1,722.76 million as at January 1, 2016)

#### 31

The shareholders of the Company at its extra ordinary general meeting held on April 24, 2017 ("The Transferor Company") approved the scheme of the merger of Risk Technology International Limited ("RTIL"), a wholly owned subsidiary with itself, which was approved by the National Company Law Tribunal ("NCLT") vide its order dated July 6, 2017. In accordance with the scheme and Appendix C to the Ind AS 103 Business Combination, the said merger has been accounted using the pooling of interest method.

a) All assets and liabilities have been recorded at their respective carrying values, after eliminating inter-company balances.

b) The share capital of RTIL of Rs. 95 million has been adjusted against the investment in the books of the Company of Rs. 93.50 million and the resultant difference of Rs. 1.50 million has been credited to the Capital Reserve.

c) The accumulated debit balance of Profit and Loss of RTIL is adjusted to the General Reserve amounting to Rs 18.04 million.

d) The financial statements and information in respect of prior periods are restated as if the said merger had occurred from the beginning of the preceding period i.e. January ,1 2016. Material restatement to assets and liabilities after eliminating inter company balances are stated below :

Rupees Million			
Sr. No.	Particulars	As at December 31, 2016	As at January 1, 2016
1	<b>Non current assets:</b>		
	Capital work-in-progress	1,070.54	76.76
	Capital advances	20.95	129.79
	Prepaid expenses	268.61	271.82
2	<b>Current other financial liabilities</b>		
	Capital Creditors	143.58	28.18

**HEXAWARE TECHNOLOGIES LIMITED****NOTES TO FINANCIAL STATEMENTS****32 Disclosure pursuant to amount due to Micro, Small and Medium enterprise is as under:**

Rupees Million

Particulars	As at December 31, 2017	As at December 31, 2016	As at January 1, 2016
Amount due to vendor	-	-	-
Principal amount paid (includes unpaid beyond the appointed date)	0.57	2.48	-
Interest due and paid /payable for the	-	-	-
Interest accrued and remaining	-	-	-

Due to Micro, Small and Medium enterprise have been determined to the extent such parties have been identified on the basis of information collected by the management.

**33 Material events after Balance Sheet date**

There is no significant event after reporting date which requires adjustments or disclosure to the financial statements except the matter mentioned below:

The Board of Directors, at its meeting held on February 7, 2018 has declared interim dividend of Rs 1/- per equity share (50 %). This would result in cash outflow of Rs. 357.23 Million including corporate dividend tax of Rs. 60.42 million.

**34 Approval of financial statements**

The financial statements were approved for issue by the Board of Directors on February 7, 2018.