

**INDEPENDENT AUDITORS' REPORT
TO THE BOARD OF DIRECTORS OF
HEXAWARE TECHNOLOGIES LIMITED**

Report on the Condensed Consolidated Financial Statements

1. We have audited the accompanying condensed consolidated financial statements of **HEXAWARE TECHNOLOGIES LIMITED** (“the Company”) and its subsidiaries (the Company and its subsidiaries constitute “the Group”), which comprise the Condensed Consolidated Balance Sheet as at March 31, 2012, the Condensed Consolidated Statement of Profit and Loss and the Condensed Consolidated Cash Flow Statement for the quarter ended March 31, 2012 and the Selected Explanatory Notes. The Company’s Management is responsible for the preparation of these condensed consolidated financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with Accounting Standard 25 (Interim Financial Reporting), as notified by the Companies (Accounting Standards) Rules, 2006 (“AS 25”) and other accounting principles generally accepted in India. Our responsibility is to express an opinion on these condensed consolidated financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs. 933.16 million as at March 31, 2012, total revenues of Rs. 684.51 million and net cash inflows amounting to Rs. 108.26 million for the quarter ended on that date as considered in the Condensed Consolidated Financial Statements. These financial statements have been audited by other auditors whose reports have been furnished to us and our opinion in so far as it relates to the amounts included in

4. We report that the Condensed Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 (Consolidated Financial Statements) as notified under the Companies (Accounting Standards) Rules, 2006.
5. In our opinion and to the best of our information and according to the explanations given to us, read with our comments in paragraph 3 above, the aforesaid condensed consolidated financial statements give a true and fair view in conformity with AS 25 and the accounting principles generally accepted in India:
 - (a) in the case of the Condensed Consolidated Balance Sheet, of the state of affairs of the Company as at March 31, 2012;
 - (b) in the case of the Condensed Consolidated Statement of Profit and Loss, of the profit of the Company for the quarter ended on that date, and
 - (c) in the case of the Condensed Consolidated Cash Flow Statement, of the cash flows of the Company for the quarter ended on that date.

For Deloitte Haskins & Sells
Chartered Accountant
[Firm Registration No.: 117366W]

R. D. Kamat
Partner
Membership No. 36822

MUMBAI, April 27, 2012

HEXAWARE TECHNOLOGIES LIMITED

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31st MARCH 2012

(Rupees in Millions)

Particulars	Schedule No.	As at 31st March' 12		As at 31st December' 11	
		Rupees	Rupees	Rupees	Rupees
SOURCES OF FUNDS					
Share Holders' Funds :					
a) Share Capital	"1"	590.67		586.72	
b) Share Application Money		2.03		-	
c) Reserves and Surplus	"2"	10,248.80		9,575.11	
			10,841.50		10,161.83
Deferred Tax Liability (Refer Note No. 4(c) of Schedule 12)			54.21		32.41
Total			10,895.71		10,194.24
APPLICATION OF FUNDS					
Fixed Assets :	"3"				
a) Gross Block		5,880.46		5,668.97	
b) Less: Depreciation and amortization		1,737.38		1,697.20	
c) Net Block		4,143.08		3,971.77	
d) Capital Work-in-Progress		653.26		813.38	
			4,796.34		4,785.15
Investments :	"4"		949.19		228.77
Deferred Tax Asset (Refer Note No. 4(c) of Schedule 12)			197.54		194.53
Current Assets, Loans and Advances :	"5"				
a) Sundry Debtors		2,539.15		2,992.99	
b) Cash and Bank Balances		3,956.73		4,377.19	
c) Loans and Advances		1,374.37		1,272.41	
d) Other Current Assets		1,143.41		674.01	
		9,013.66		9,316.60	
Less :					
Current Liabilities and Provisions :	"6"				
a) Current Liabilities		2,151.44		2,891.18	
b) Provisions		1,909.58		1,439.63	
		4,061.02		4,330.81	
Net Current Assets			4,952.64		4,985.79
Total			10,895.71		10,194.24

Significant Accounting Policies and Notes Forming Part of Accounts

"12"

Schedules 1 to 12 form an Integral Part of the Accounts

In terms of our attached report of even date

For Deloitte Haskins & Sells
Chartered Accountants

For and on behalf of the Board

R. D. Kamat
Partner.

R. V. Ramanan
(Executive Director and President Global delivery)

Shailesh Haribhakti
(Director)

Place : Mumbai
Date : April 27, 2012

Prateek Aggarwal
(Chief Financial Officer)

HEXAWARE TECHNOLOGIES LIMITED

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE QUARTER ENDED 31st MARCH 2012

(Rupees in Millions)

Particulars	Schedule No.	For the Quarter ended 31st March' 12		For the Quarter ended 31st March' 11	
		Rupees	Rupees	Rupees	Rupees
INCOME					
Software and Consultancy		4,382.91		3,185.41	
Other Income	"7"	119.99		97.61	
			4,502.90		3,283.02
EXPENDITURE					
Software and Development Expenses	"8"	613.80		466.06	
Employment Expenses	"9"	2,382.04		1,876.61	
Administration and Other Expenses	"10"	413.47		394.00	
Exchange Rate difference (net)		(25.75)		(100.11)	
Interest	"11"	0.08		2.60	
Depreciation and amortization	"3"	70.69		61.65	
			3,454.33		2,700.81
Profit Before Tax			1,048.57		582.21
Less : Provision For Taxation					
- Income Tax - Current Taxes		236.40		101.58	
- Deferred Taxes		12.36		(3.85)	
- MAT Credit Entitlement (Refer Note No. 4(b) of Schedule 12)		(83.83)		(53.87)	
			164.93		43.86
Profit After Tax			883.64		538.35
Add : Balance brought forward from Previous Year			4,163.80		3,207.37
Less: On closure of Argentinian Subsidiary			(0.11)		
Balance Available For Appropriation			5,047.33		3,745.72
Appropriations :					
Interim Dividend - Equity		443.00		-	
Corporate Dividend Tax		71.87		-	
			514.87		-
Balance Carried To Balance Sheet			4,532.46		3,745.72
Earnings Per Share (in Rupees) (Refer Note No. 6 of Schedule 12)					
Basic			3.01		1.85
Diluted			2.94		1.81
Face value of equity share (in Rupees)			2.00		2.00
Significant Accounting Policies and Notes Forming Part of Accounts	"12"				
Schedules 1 to 12 form an Integral Part of the Accounts					
In terms of our attached report of even date					

For Deloitte Haskins & Sells
Chartered Accountants

For and on behalf of the Board

R. D. Kamat
Partner.R. V. Ramanan
(Executive Director and President Global delivery)Shailesh Haribhakti
(Director)Place : Mumbai
Date : April 27, 2012Prateek Aggarwal
(Chief Financial Officer)

Hexaware Technologies Limited

Consolidated Cash Flow Statement for the Quarter ended 31st March, 2012

(Rupees in Millions)

	Rupees	For the Quarter ended 31-03-12 Rupees	For the Quarter ended 31-03-11 Rupees
A Cash Flow from operating activities			
Net Profit before tax	1,048.57		582.21
Adjustments for:			
Depreciation, amortization and Impairment	70.69		61.65
Employees share based payment cost	0.48		1.00
Interest Income	(91.71)		(72.82)
Provision for doubtful accounts (net)	0.54		24.22
Debts and advances written off	2.05		0.55
Dividend from current investments	(8.62)		(11.11)
Profit on sale of Investments	-		0.05
(Profit) / Loss on sale of fixed assets (Net)	(0.27)		(0.76)
Deferred cancellation (loss) / gains relating to roll-over cash flow hedges	(40.52)		8.11
Exchange Rate Difference	93.43		(25.86)
Interest Expense	0.08		2.60
Operating profit before working capital changes	1,074.72		569.84
Adjustments for:			
Trade and other receivables	(157.44)		(539.15)
Trade and other payables	(177.51)		113.59
Cash generated from operations	739.77		144.28
Direct Taxes Paid	(223.21)		(95.77)
Net cash from operating activities		516.56	48.51
B Cash flow from investing activities			
Purchase of fixed assets	(213.29)		(175.83)
Proceeds from sale of fixed assets	0.66		-
Interest received (Net of tax Rs. 18.14 (Rs. 14.39 Million)	73.12		119.88
Purchase of Current Investments	(3,890.29)		(5,749.71)
Proceeds from Sale of Investments	3,169.87		3,873.61
Dividend from current investments	8.62		11.11
Net cash used in investing activities		(851.31)	(1,920.94)
C Cash flow from financing activities			
Proceeds from issue of share capital	25.99		6.94
Share Application money (Adjusted) / received	2.03		1.49
Interest and other finance charges paid	(0.08)		(2.99)
Proceeds from Short term borrowings from bank	-		557.44
Dividend paid (including corporate dividend tax)	(0.42)		(167.65)
Repayments of long term and other borrowings	-		(11.18)
Net cash from financing activities		27.52	384.05
Net Decrease in cash and cash equivalents		(307.23)	(1,488.38)
Cash and cash equivalents at the beginning of the year		4,161.70	4,362.42
Cash and cash equivalents at the end of the year		3,854.47	2,874.04

Notes:

1. Cash and Cash equivalents included in the Cashflow statement comprise the following:

Cash and Bank Balances (including EEFC account balances)	3,956.73	2,908.03
Add / (Less): Effect of changes in Exchange rate in cash and cash equivalents	18.46	(13.98)
Less: Fixed Deposits under lien with Banks	(120.72)	(20.01)
Total Cash and Cash equivalents	3,854.47	2,874.04

- Components of cash and cash equivalents include cash and bank balances as stated in Schedule 5 of the Balance sheet.
- Purchase of Fixed Assets (including movements in Capital work in progress) are considered as a part of investing activities.
- The Cash Flow Statement has been prepared in accordance with the requirements of Accounting Standard 3 "Cash Flow Statement" (AS 3).
- The Previous quarter's figures have been regrouped wherever necessary.

In terms of our attached Report of even date

For Deloitte Haskins & Sells,
Chartered Accountants

For and on behalf of the Board

R. D. Kamat
PartnerR. V. Ramanan
(Executive Director and President Global delivery)Shailesh Haribhakti
(Director)Place : Mumbai
Date : April 27, 2012Prateek Aggarwal
(Chief Financial Officer)

HEXAWARE TECHNOLOGIES LIMITED

SCHEDULES TO CONSOLIDATED BALANCE SHEET

Particulars	As at 31st March' 12		As at 31st December' 11	
	Rupees	Rupees	Rupees	Rupees
SCHEDULE "1" - SHARE CAPITAL				
Authorised				
325,000,000 (325,000,000) Equity Shares of Rs. 2/- each		650.00		650.00
1,100,000 Series "A" Preference Shares Of Rs. 1421/- each *		1,563.10		1,563.10
* (Refer note II below)				
		----- 2,213.10 =====		----- 2,213.10 =====
Issued, Subscribed and Paid-up Capital				
Equity :				
295,333,502 (293,358,428) Equity Shares of Rs. 2/- each Fully Paid.		590.67		586.72
Notes:				
I) Of the above equity Shares:-				
1) 11,134,625 Equity Shares of Rs. 2/- each have been allotted as fully paid up without receiving consideration in cash in accordance with the Composite scheme of Reconstruction and Arrangement.				
2) 181,734,651 Equity Shares of Rs. 2/- each have been allotted as fully paid up by way of Bonus Share by capitalisation of General Reserve/Securities Premium Account.				
3) 10,452,965 Equity Shares of Rs. 2/- each fully paid up have been allotted against Global Depository receipts issued by the Company.				
4) 50,000,000 Equity Shares of Rs.2/- each fully paid up issued to the Shareholders of erstwhile Hexaware Technologies Limited ('HTL') without receiving consideration in cash in accordance with the Composite scheme of Reconstruction and Arrangement.				
5) 3,863,060 Equity Shares of Rs.2/- each fully paid up have been allotted to employees under ESOP 1999.				
6) 9,108,802 (8,938,928) Equity Shares of Rs.2/- each fully paid up have been allotted to employees under ESOP 2002.				
7) 10,555,700 Equity Shares of Rs.2/- each fully paid up have been allotted against unregistered American Depository Receipts (ADR) issued by the Company on conversion of Series "A" Redeemable and/or optionally convertible Preference Shares at a premium of Rs. 140.10 each as per the terms of issue.				
8) 4,981,950 (3,194,034) Equity Shares of Rs.2/- each fully paid up have been allotted to employees under ESOP 2007.				
9) 216,959 (199,675) Equity Shares of Rs.2/- each fully paid up have been allotted to employees under ESOP 2008.				
II) Authorised Preference share capital can be either cumulative or non cumulative with a power to the Company to convert the same into equity shares at any time.				
Total		----- 590.67 =====		----- 586.72 =====

HEXAWARE TECHNOLOGIES LIMITED

SCHEDULES TO CONSOLIDATED BALANCE SHEET

Particulars	As at 31st March' 12		As at 31st December' 11	
	Rupees	Rupees	Rupees	Rupees
SCHEDULE "2" - RESERVES AND SURPLUS				
Securities Premium Account				
As per last Balance Sheet	4,521.83		4,773.61	
Add : Received during the year	22.04		33.17	
Add : Transfer from Employee Stock Option outstanding	3.03		6.14	
Less : Transferred to Share Capital Account consequent to issue of bonus shares	-		291.09	
	-----	4,546.90	-----	4,521.83
Employee Stock Options Outstanding				
As per last Balance Sheet	8.32		15.79	
Less: Reversal on forfeiture of stock options granted	-		1.33	
Less : Transfer to Securities Premium Account on exercise of stock option	3.03		6.14	
	-----		-----	
	5.29		8.32	
Less : Deferred Employee Compensation	0.96		1.44	
	-----	4.33	-----	6.88
General Reserve				
As per last Balance Sheet	1,491.97		1,140.46	
Add : Transfer from Profit and Loss Account (In respect of Subsidiary Company Rs. Nil (Rs. 51.51 Million))	-		351.51	
	-----	1,491.97	-----	1,491.97
Hedging Reserve Account				
(Refer Note No. 7 of the Schedule 12)		(646.71)		(1,035.85)
Amalgamation Reserve				
As per last Balance Sheet		2.88		2.88
Currency Translation Reserve				
As per last Balance Sheet	423.61		(31.65)	
(Deduction) / Addition during the year (Net)	(106.64)		455.26	
	-----	316.97	-----	423.61
Surplus in Profit and Loss Account				
		4,532.46		4,163.79
Total		----- 10,248.80 -----		----- 9,575.11 -----

HEXAWARE TECHNOLOGIES LIMITED

SCHEDULES TO CONSOLIDATED BALANCE SHEET

SCHEDULE "3" - FIXED ASSETS

(Rupees in Millions)

SR. NO.	PARTICULARS	G R O S S B L O C K				D E P R E C I A T I O N / A M O R T I Z A T I O N / I M P A I R M E N T				N E T B L O C K	
		As at 01.01.2012	Additions	DEDUCTIONS / ADJUSTMENTS	As at 31.03.2012	As at 01.01.2012	FOR THE QUARTER	DEDUCTIONS / ADJUSTMENTS	As at 31.03.2012	As at 31.03.2012	As at 31.12.2011
A	Goodwill on Consolidation	1,377.39	-	57.75	1,319.64	-	-	-	-	1,319.64	1,377.39
B	TANGIBLE ASSETS										
1	LAND - FREEHOLD	0.15	-	-	0.15	-	-	-	-	0.15	0.15
	LAND - LEASEHOLD (Refer note no.1)	362.14	-	-	362.14	18.13	1.02	-	19.15	342.99	344.01
2	BUILDING (Refer Note no. 2)	1,614.00	121.41	-	1,735.41	83.21	6.68	-	89.89	1,645.52	1,530.79
3	PLANT AND MACHINERY (Includes Computer Systems)	1,654.45	126.28	4.19	1,776.54	1,132.63	43.61	4.05	1,172.19	604.35	521.82
4	FURNITURE AND FIXTURES	456.86	38.27	(2.01)	497.14	306.92	12.57	(1.80)	321.29	175.85	149.94
5	IMPROVEMENTS TO LEASEHOLD PREMISES	26.10	-	2.09	24.01	24.26	0.15	2.06	22.35	1.66	1.84
6	VEHICLES	35.73	0.64	0.72	35.65	30.69	0.60	0.37	30.92	4.73	5.04
C	INTANGIBLE ASSETS										
	SOFTWARES	142.15	13.46	25.83	129.78	101.36	6.06	25.83	81.59	48.19	40.79
	CURRENT PERIOD	5,668.97	300.06	88.57	5,880.46	1,697.20	70.69	30.51	1,737.38	4,143.08	3,971.77
	PREVIOUS YEAR	4,628.94	889.92	(150.11)	5,668.97	1,519.49	247.03	69.32	1,697.20	3,971.77	-
	CAPITAL WORK IN PROGRESS									653.26	813.38
	(In respect of buildings under construction and includes Capital advances of Rs. 12.64 Million (Rs. 14.71 Million))										
	TOTAL									4,796.34	4,785.15

Notes:

- Includes Rs. 285.32 Million and Rs. 15.60 Million (Previous Year Rs. 14.10 Million) being lease premium and accumulated amortization in respect of leasehold land allotted to the Company at Pune and Nagpur for which final lease agreement is being executed.
- Includes one building having gross block of Rs. 164.01 Million and accumulated depreciation of Rs. 29.48 Million (Previous year Rs. 28.82 Million), which the Company acquired along with land from MIDC, at Navi Mumbai, entered in to necessary agreements and took possession of the building in an earlier year. The final agreement is being executed.
- Exchange difference (Net) on account of translation of fixed assets into INR included under deductions is as follows:

Particulars	Gross Block	Depreciation
Goodwill On Consolidation	57.75	-
TANGIBLE ASSETS		
Plant and Machinery	2.76	2.64
Furniture and Fixtures	0.28	0.06
Improvements to Leasehold Premises	0.58	0.61
Vehicles	0.06	0.06
Intangible Assets		
Computer Softwares	1.26	1.26
Current Period	62.69	4.63
Previous year	248.33	26.71

HEXAWARE TECHNOLOGIES LIMITED

SCHEDULES TO CONSOLIDATED BALANCE SHEET

Particulars	As at		As at	
	31st March '12	31st March '12	31st December '11	31st December '11
	Rupees	Rupees	Rupees	Rupees
SCHEDULE "5" - CURRENT ASSETS				
Sundry Debtors (Unsecured)				
Debts outstanding for a period exceeding six months	27.95		26.52	
Other debts	2,547.06		2,999.86	
	2,575.01		3,026.38	
Less: Provision for doubtful accounts	35.86		33.39	
		2,539.15		2,992.99
Sundry Debtors				
Considered good	2,539.15		2,992.99	
Considered doubtful	35.86		33.39	
	2,575.01		3,026.38	
Cash and Bank Balances				
Cash in Hand	0.02		0.07	
Remittance in Transit	6.80		-	
Bank Balances with Scheduled Banks				
In Fixed Deposit Accounts	3,293.31		3,595.38	
[Includes Deposits of Rs. 119.85 Million (Rs.120.36 Million) under lien with banks for guarantees given by bank to various Government authorities / for Financial Assistance]				
In Exchange Earner's Foreign Currency Account	9.84		7.62	
In Current Accounts	307.54		388.79	
Balances with Non-Scheduled Banks				
In Fixed Deposit Accounts	219.71		256.04	
[Includes Deposits of Rs. 1.06 Million (Rs.1.50 Million) under lien with banks for guarantees given by bank for leased premises]				
In Current Accounts	119.51		129.29	
		3,956.73		4,377.19
Loans and Advances (Unsecured)				
Advances recoverable in cash or in kind or for value to be received	396.52		377.16	
Deposits	196.77		200.42	
Advance Income Tax (net of provision for tax)	187.75		188.33	
Advance Fringe Benefit Tax (net of provision for tax)	4.85		4.85	
Mat Credit Entitlement	623.49		539.66	
	1,409.38		1,310.42	
Less : Provision for doubtful deposits / advances	35.01		38.01	
		1,374.37		1,272.41
Loans and Advances				
Considered good	1,374.37		1,272.41	
Considered doubtful	35.01		38.01	
	1,409.38		1,310.42	
Other Current Assets				
Interest accrued on deposits	160.85		160.41	
Unbilled services	982.56		513.60	
		1,143.41		674.01
Total		9,013.66		9,316.60
SCHEDULE "6" - CURRENT LIABILITIES AND PROVISIONS				
Current Liabilities				
Sundry Creditors				
i) Total Outstanding dues of micro enterprises and small enterprises	-		-	
ii) Total Outstanding dues of Creditors other than micro enterprises and small enterprises	593.83		719.61	
Unearned Revenues	65.57		134.59	
Other Liabilities	1,086.31		1,099.07	
Unclaimed Dividend *	28.46		28.89	
Liability for derivative contracts	348.95		880.70	
Deposit received for Leased Premises	28.32		28.32	
* This figure does not include any amount due and outstanding to be credited to Investor Education and Protection Fund.		2,151.44		2,891.18
PROVISIONS				
- Provision for compensated absences	379.42		380.43	
- Proposed dividend	883.04		440.04	
- Corporate dividend tax	143.26		71.39	
- Provision for gratuity and Other benefits	125.05		114.39	
- Provisions others (Refer Note No. 8 of Schedule 12)	297.02		346.19	
- Provision for taxation (net of advance tax)	81.79		87.19	
		1,909.58		1,439.63
Total		4,061.02		4,330.81

HEXAWARE TECHNOLOGIES LIMITED

SCHEDULES TO CONSOLIDATED PROFIT AND LOSS ACCOUNT

Particulars	For the Quarter ended		For the Quarter ended	
	31st March' 12		31st March' 11	
	Rupees	Rupees	Rupees	Rupees
SCHEDULE "7" - OTHER INCOME				
Dividend from current investments		8.62		11.11
Profit on Sale of Current Investments (Net)		-		(0.05)
Interest income (Tax deducted at source Rs. 9.54 Million (Rs 7.68 Million)) (Includes Interest on Bank fixed deposits Rs. 91.54 Million (Rs. 72.52 Million))		91.71		72.82
Profit on Sale of Fixed Assets (Net)		0.27		-
Rental income		17.30		11.69
Miscellaneous income		2.09		2.04
Total		<u>119.99</u>		<u>97.61</u>
SCHEDULE "8" - SOFTWARE AND DEVELOPMENT EXPENSES				
Consultant travel and related expenses		177.79		156.41
Software expenses (includes subcontracting charges Rs. 360.85 Million (Rs. 223.61 Million))		436.01		309.65
Total		<u>613.80</u>		<u>466.06</u>
SCHEDULE "9" - EMPLOYMENT EXPENSES				
Salary and other allowances		2,113.54		1,663.25
Contribution to provident and other funds		221.37		182.81
Staff welfare expenses		47.13		30.55
Total		<u>2,382.04</u>		<u>1,876.61</u>
SCHEDULE "10" - ADMINISTRATION AND OTHER EXPENSES				
Rent		49.08		85.93
Rates and taxes		5.85		3.25
Travelling and conveyance expenses		112.53		75.45
Electricity charges		38.46		27.23
Communication expenses		35.20		32.58
Repairs and maintenance		24.29		21.65
Printing and stationery		5.68		6.66
Auditors remuneration		5.92		4.47
Legal and professional fees		23.95		32.09
Advertisement and publicity		12.76		3.99
Seminar and Conference expenses		23.30		17.62
Bank and other charges		2.16		1.31
Directors' sitting fees		0.49		1.00
Insurance premium		7.78		5.81
Donation		0.13		-
Debts and advances written off (Net of Recoveries Rs. 0.07 Million (Rs. Nil))		2.05		0.55
Provision for doubtful accounts (Net off write back Rs. 9.58 Million (Rs.7.01 Million))		0.54		24.22
Staff recruitment expenses		16.48		9.90
Service charges		24.05		20.70
Miscellaneous expenses Note : Miscellaneous Expenses includes Stamp Duty & Filing fees, Hiring charges, Registrar and Share Transfer expenses, Membership and Subscription, etc.		22.77		19.59
Total		<u>413.47</u>		<u>394.00</u>
SCHEDULE "11" - INTEREST EXPENSES				
On term Loans		-		2.39
Others (Includes working Capital loan)		0.08		0.21
Total		<u>0.08</u>		<u>2.60</u>

Hexaware Technologies Limited

Period from January 1, 2012 to March 31, 2012

Schedule 12 - Explanatory Notes to the Condensed Consolidated financial statements

1. Background

Hexaware Technologies Limited ("Hexaware or the Holding Company") is a public limited company domiciled in India and incorporated under the provisions of the Companies Act, 1956. The Company and its subsidiaries are engaged in information technology consulting, software development and business process outsourcing. Hexaware provides multiple service offerings to its clients across various industries comprising airlines and transport, banking, financial services, insurance and manufacturing sector mainly in enterprise resource planning solutions. The various service offerings comprise application development and management, enterprise package solutions, infrastructure management, product engineering and independent testing.

These condensed interim consolidated financial statements have been prepared using the same basis / accounting policies as those used for the audited consolidated financial statements for the year ended on December 31, 2011. These interim consolidated financial statements have been prepared by the management considering the requirements of Accounting Standard 25 on "Interim financial reporting".

2. Subsidiaries to consolidation

The condensed consolidated financial statements present the consolidated accounts of Hexaware Technologies Limited with the following wholly owned subsidiaries drawn upto the same reporting date as that of the Holding Company.

Name of the Subsidiary company	Country of Incorporation
Hexaware Technologies Inc.	United States of America
Hexaware Technologies, Mexico S. De. R.L. De. C.V.	Mexico
Hexaware Technologies UK Ltd.	United Kingdom
FocusFrame Europe BV	Netherland
Hexaware Technologies Asia Pacific Pte Limited.	Singapore
Hexaware Technologies GmbH.	Germany
Hexaware Technologies Canada Limited.	Canada
Caliber Point Business Solutions Ltd.	India
Risk Technology International Limited	India
Hexaware Technologies SRL, Argentina * #	Argentina
Hexaware Technologies DO Brazil Ltd , Brazil #	Brazil
Rampran Infotech Ltd	India

Note # Held by nominees of Hexaware Technologies UK Ltd.

* Company name struck off from General Justice Bureau of Argentina w.e.f. 10th February 2012

3. Contingent Liabilities in respect of

- a) Claims not acknowledged as debt to Rs. 28.14 million (December 31, 2011 Rs 28.14 million).
- b) Income Taxes :
 - i. The Income tax assessment of the Company for Assessment year 2008-09 was completed during the year ended 31st December 2011 and demand aggregating to Rs 37.81 million (December 31, 2011 Rs 37.81 million) was made on the Company, mainly on account of disallowance of foreign exchange loss as business expenses. The Company has filed an appeal against such order with the Appellate authority and is hopeful of getting a favourable decision. Accordingly, no provision is considered necessary at this stage.

Hexaware Technologies Limited

Period from January 1, 2012 to March 31, 2012

- ii. Income tax of Rs 7.40 million (December 31, 2011 Rs 7.40 million) for Assessment year 2004-05, disputed in appeal and pending decision. Company is hopeful of getting a favourable decision.
 - iii. In case of a Subsidiary Company Income tax of Rs 1.43 million (December 31, 2011 Rs 1.43 million) for Assessment year 2008-09, disputed in appeal and pending decision. Subsidiary Company is hopeful of getting a favourable decision.
4. a) Current income tax expense comprises of taxes on income from operations in India and foreign jurisdictions. In respect of certain entities in the group, 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. Tax expense relating to overseas operation is determined in accordance with the tax laws applicable in countries where such operations are domiciled
- b) Considering the future profitability and taxable positions in the subsequent years, the Company has recognised the 'MAT Credit entitlement' of Rs 83.83 million (March 31, 2012 Rs 53.87 million) as an asset by crediting the profit and loss account for an equivalent amount and disclosed under 'Loans and advances'.
- c) The breakup of the deferred tax assets and deferred tax liability is as under:

(Rupees in Millions)

Particulars	As at 31.03.2012	As at 31.12.2011
Deferred Tax Assets		
Provision for doubtful debts and advances	9.97	8.82
Depreciation	6.51	7.16
Employee Benefits	134.31	130.53
Net Operating Losses Carry Forward	6.64	7.06
Provision others (Refer Note No.8 of schedule 12)	33.17	37.39
Others	6.94	3.57
Deferred Tax Assets	197.54	194.53
Deferred Tax Liabilities		
Depreciation	71.85	24.03
Deferred Cancellation Loss relating to roll-over Cash Flow Hedges	56.77	17.07
Less: Deferred Tax Assets		
Employee benefits	50.57	8.47
Provision others (Refer Note No.8 of schedule 12)	22.11	-
Depreciation	1.36	-
Provision for doubtful debts	0.37	0.22
Deferred Tax Liabilities (Net)	54.21	32.41

5. Related party disclosures

Names of related parties and description of relationship:

Key Management Personnel

Mr. Atul K. Nishar – Chairman

Mr. P. R. Chandrasekar - Vice Chairman and Global Chief Executive Officer

Dr. (Mrs) Alka A Nishar – Director (upto 27-07-2011)

Mr R. V. Ramanan – Executive Director and President Global Delivery

Mr Ramanan Seshadri - Whole Time Director

Mr Yogendra Shah – Whole Time Director (Hexaware Technologies Asia Pacific Pte Ltd) (upto 13-04-2011)

Mr. R U Srinivas – President and Executive Director (Caliber Point Business Solutions Ltd)

Mr Rajiv Pant – President North America (Hexaware Technologies Inc) (w.e.f. 18-01-2011)

Others (entities in which key management personnel have control and/or significant influence)

Hexaware Technologies Employee Stock Option Trust

Ms. Priyanka Atul Nishar – Relative of key management personnel

1. Receiving of Services:

	Remuneration (Rupees in Millions)	No. of Stock Options s Outstandings as on 31- 03-2012 (31-12-2011)
Mr. Atul K. Nishar	3.01 (2.74)	- (-)
Mr P R Chandrasekar	17.56 (14.51)	1,019,978 (1,925,262)
Mr R V Ramanan	7.97 (4.11)	388,822 (517,606)
Dr. (Mrs.) Alka A. Nishar	2.29 (-)	- (-)
Mr Yogendra Shah	- (10.05)	- (-)
Mr R U Srinivas	2.91 (2.86)	60,000 (60,000)
Mr Rajiv Pant	6.59 (5.71)	242,536 (576,338)
Mr. Ramanan Sheshadri	3.22 (8.01)	248,000 (298,000)
Ms. Priyanka Nishar	- (0.65)	- (-)

6. Earnings per Share (EPS)

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

(Rupees in Millions)

Particulars	March 2012	March 2011
Net profit after tax	883.64	538.35
Net Income available to equity shareholders	883.64	538.35
Weighted average outstanding equity shares considered for basic EPS (Nos.)	293,612,992	290,961,393
Basic Earnings per share (In Rupees)	3.01	1.85
Weighted average outstanding equity shares considered for basic EPS (Nos.)	293,612,992	290,961,393
Add : Effect of dilutive issue of stock options (including share application money received on exercise of options) (Nos.)	6,499,925	7,334,211
Weighted average outstanding equity shares considered for diluted EPS (Nos.)	300,112,917	298,295,604
Diluted Earnings per share (In Rupees)	2.94	1.81

7. Derivative Instruments:

The Company has following outstanding derivatives instruments:

- (i) Forward exchange contracts to Sell US Dollar 203.63 Million and Sell Euro 8.21 Million (December 31, 2011 Sell US Dollar 181.28 Million and Sell Euro 9.39 Million and Buy Euro 0.43 Million) are outstanding as of March 31, 2012.
- (ii) Fair value (net loss) of the derivative instruments identified as cash flow hedges is Rs 348.95 million (December 31, 2011 net gain of Rs. 880.70 million) as at March 31, 2012
- (iii) The movement in Hedging Reserve Account during quarter ended March 31, 2012 for derivatives designated as Cash flow Hedges is as follows:

(Rupees in Millions)

	March 31, 2012	December 31, 2011
Balance at 1st January 2012 / 1st January 2011	(1,035.85)	259.77
Losses / (Gains) transferred to income statement on occurrence of forecasted hedge transaction	54.89	(78.05)
Changes in the fair value of the effective portion of outstanding cash flow derivative	334.25	(1,217.57)
Balance at 31st March 2012 / 31st December 2011	(646.71)	(1,035.85)

Net loss of Rs. 646.71 million recognised in Hedging Reserve as of March 31, 2012 is expected to be classified to Profit and loss Account over two years.

8. "Provision Others" includes provisions towards expenditure relating to fixed assets and employee benefit obligations on contract acquisition, the outflow for which is expected in the next year.

(Rupees in Millions)

	March 2012	December 2011
Opening provision 1 st January 2012 / 1 st January 2011	346.19	374.40
Provision made during the year / period	-	51.22
Repaid /Adjusted during the year / period	49.17	79.43
Closing provision 31 st March 2012 / 31 st December 2011	297.02	346.19

9. Segments:

(Rupees in Millions)

Primary Segment: Business Segments	Travel, Transportation, Hospitality and Logistics	Banking and Financial Services	Insurance and Healthcare	Manufacturing and Services	Others	Total
Segment Revenue	910.98	1,134.74	719.80	1,089.78	527.61	4,382.91
	(746.21)	(857.90)	(357.08)	(741.48)	(482.74)	(3,185.41)
Segment Results	213.80	215.37	165.48	282.39	96.56	973.60
	(48.22)	(140.19)	(34.78)	(135.04)	(90.52)	(448.75)
Less: Unallocable Expenses / (Gain)						44.94
						(38.46)
Add: Other Income						119.99
						(97.61)
Less: Interest						0.08
						(2.60)
Profit before tax						1,048.57
						(582.22)
Less: Provision for taxation						164.93
						(43.87)
Profit after tax						883.64
						(538.35)
Other Information - Segment Assets (Refer Note No 3)						
Goodwill					1,319.64	1,319.64
					(1,377.39)	(1,377.39)

Secondary Segment: Geographic Segment	North America	Europe	India	Rest of the World	Total
Revenue attributable to location of customers	2,778.74	1,286.02	114.43	203.72	4,382.91
	(2,102.39)	(889.80)	(47.22)	(146.00)	(3,185.41)
Segment assets based on their locations	2,529.24	706.48	10,220.92	126.25	13,582.89
	(2,763.99)	(722.01)	(9,505.72)	(123.52)	(13,115.24)
Additions to fixed assets (including capital work-in-progress)	1.37	0.86	137.71	0.00	139.94
	(9.01)	(2.17)	(723.18)	-	(734.36)
Goodwill	1,203.38	116.26	-	-	1,319.64
	(1,256.04)	(121.35)	-	-	(1,377.39)

Notes:

1. The Company has identified business segment as the primary segment. Segments have been identified taking into account the services offered to customers globally operating in different industry segments, differing risks and returns, the organizational structure and the internal reporting system. The Company has realigned its industry segments and has disclosed Insurance and Healthcare as a separate segment and accordingly the figures for the previous year has been regrouped to conform to the current year.
 2. Revenues and expenses directly attributable to segments are reported under each reportable segment. Common expenses which are not directly identifiable to each reporting segment have been allocated to each reporting segment on the basis of associated revenues of the segment. All other expenses which are not attributable or allocable to segments have been disclosed as unallocable expenses.
 3. Assets and liabilities contracted have not been identified to any of the reportable segments as the assets are used interchangeably between segments and it is not practicable to reasonably allocate the liabilities to individual segments. Accordingly, no disclosure relating to segment assets and segment liabilities are made.
 4. Figures for the previous year are given in brackets.
10. The figure for the previous accounting period have been regrouped/rearranged wherever necessary to correspond with the figures of the current period and are disclosed in brackets. Amounts and other disclosures for the preceding period are included as an integral part of the current period financial statement and are to be read in relation to the amounts and other disclosures relating to the current period.

In terms of our attached report of even date

For Deloitte Haskins & Sells,

Chartered Accountants

R. D. Kamat

Partner

For and on behalf of the Board

R.V. Ramanan

(Executive Director
& President Global
Delivery Head)

Shailesh Haribhakti

(Director)

Place : Mumbai

Date : 27th April, 2012

Prateek Aggarwal

(Chief Financial Officer)