Independent Auditor's Report

To the Members of
Hexaware Technologies Limited

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the standalone financial statements of Hexaware Technologies Limited ("the Company"), which comprise the standalone balance sheet as at 31 December 2019, and the standalone statement of profit and loss (including other comprehensive income), standalone statement of changes in equity and standalone statement of cash flows for the year then ended, and notes to the standalone financial statements, including a summary of the significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("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 31 December 2019, and profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

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

Key audit matters

Key audit matters are those matters which in our professional judgment were of most significance in our audit of the standalone financial statements. These matters were addressed in the context of our audit of the standalone financial statements as a whole and in forming our opinion thereon. We do not provide a separate opinion on these matters.

Key Audit Matters *(Continued)*

<table>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td colspan="2">Revenue recognition</td></tr>
<tr><td>Revenue from operations is recognised based on the application of the new revenue standard Ind AS 115 - Revenue from Contracts with Customers (‘Ind AS 115’) which became applicable from 1 January 2019.

The standard establishes a comprehensive framework for recognition of revenue. This involves making judgments relating to:
• identification of performance obligations;
• estimating the transaction price;
• allocation of the transaction price to identified performance obligation; and
• basis used to recognize revenue.
It also prescribes additional disclosure requirements.

(Refer Note 18 to the standalone financial statements.)

Due to the variety and nature of contractual terms, judgments involved and nature of disclosures, revenue recognition is a key audit matter.</td><td>Our key audit procedures included:
• Obtained an understanding of the systems, processes and controls implemented by the Company for recognizing revenue and the associated contract assets and liabilities.
• Evaluated the internal controls relating to recording of contract value / rates, capturing of time/ efforts incurred, estimation of unbilled revenue and efforts required to complete the performance obligations, as applicable.
• Involved our Information Technology (IT) specialists to assess the design and operating effectiveness of key IT controls related to the revenue process.
• On selected sample of contracts, tested revenue recognition. Key procedures included:
- evaluating the identification of performance obligations;
- considering the terms of the contracts to determine the transaction price;
- testing the allocation of transaction price for performance obligations;
- testing the unbilled revenue, efforts incurred, estimation of cost to complete;
- testing the estimation of onerous obligation;
- compare the efforts incurred with estimated efforts and analyse variance.
• Assessed the adequacy of disclosures in the standalone financial statements.</td></tr>
<tr><td colspan="2">Evaluation of uncertain tax positions</td></tr>
<tr><td>The Company operates in multiple tax jurisdictions and is subjected to periodic challenges / demands by local tax authorities, on account of tax deductions/ allowance availed by the Company.</td><td>Our key audit procedures included:
• Obtained details of outstanding tax litigations as at 31 December 2019.
• Read and analysed select key correspondences, external legal opinions/ consultations by Company</td></tr>
</table>

Key Audit Matters *(Continued)*

Evaluation of uncertain tax positions (*Continued)*	
Such challenges/ demands involve significant use of judgment to determine the possible outcome of the uncertain tax positions, consequently having an impact on related accounting and disclosures. Refer Note 7 to the standalone financial statements. Given the inherent complexity and magnitude of potential tax exposures and the judgment necessary to estimate the amount of provisions required or to determine required disclosures, this is a key audit matter.	and internal assessment for key uncertain tax positions. • Involved our tax specialists and held inquiry with Company, to ascertain their views and approaches on significant cases, as well as the technical grounds relating to their conclusions based on applicable tax laws. • Our tax specialists also considered legal precedence and other rulings in evaluating the position taken by the Company on such uncertain tax positions. • Assessed Company's estimate of the possible outcome of the disputed cases. • Assessed the adequacy of related disclosures on uncertain tax positions in the standalone financial statements.

Information Other than the Standalone Financial Statements and Auditor's Report Thereon ("Other Information")

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

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

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Management's Responsibility for the Standalone Financial Statements

The Company's management and Board of Directors are responsible for the matters stated in sub-section (5) of Section 134 of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the state of affairs, profit/loss and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act.

Independent Auditor's Report *(Continued)*

Hexaware Technologies Limited

Management's Responsibility for the Standalone Financial Statements *(Continued)*

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 financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

- identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under clause (i) of sub-section (3) of Section 143 of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

Auditor’s Responsibilities for the Audit of the Standalone Financial Statements *(Continued)*

- conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern; and

- evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditors’ Report) Order, 2016 (“the Order”) issued by the Central Government in terms of sub-section (11) of Section 143 of the Act, we give in the “Annexure A” a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

   (A) As required by sub-sections (3) of Section 143 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;

Report on Other Legal and Regulatory Requirements ***(Continued)***

c) the standalone balance sheet, the standalone statement of profit and loss (including other comprehensive income), the standalone statement of changes in equity and the standalone statement of cash flows dealt with by this Report are in agreement with the books of account;

d) in our opinion, the aforesaid standalone financial statements comply with the Ind AS specified under Section 133 of the Act;

e) on the basis of the written representations received from the directors as on 31 December 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31 December 2019 from being appointed as a director in terms of sub-section (2) of Section 164 of the Act; and

f) with respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".

(B) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i. the Company has disclosed the impact of pending litigations as at 31 December 2019 on its financial position - refer Note 31 to the standalone financial statements;

ii. the Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts - refer Note 33 to the standalone financial statements; and

iii. the Company has been regular in transferring amounts to the Investor Education and Protection Fund, except there was a delay in transferring Rs 390,643, subsequently transferred during the year ended 31 December 2019.

(C) With respect to the matter to be included in the Auditor's Report under sub-section (16) of Section 197:

In our opinion and according to the information and explanations given to us, the remuneration paid / payable by the company to its directors during the current year is in accordance with the provisions of Section 197 of the Act. The remuneration paid / payable to any director is not in excess of the limit

Independent Auditor's Report *(Continued)*

Hexaware Technologies Limited

Report on Other Legal and Regulatory Requirements *(Continued)*

laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under sub-section (16) of Section 197 which are required to be commented upon by us.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W- 100022

Rajesh Mehra
Partner
Membership No: 103145
UDIN: 20103145AAAAAI7604

Mumbai
11 February 2020

Annexure A to the Independent Auditor's Report on the standalone financial statements of Hexaware Technologies Limited for the year ended 31 December 2019

Referred to in paragraph (1) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date, we report the following:

(i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

(b) The Company has a regular program of physical verification of its fixed assets, by which all the items of fixed assets are covered in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the program, certain fixed assets were physically verified by the Management during the year and no material discrepancies were noticed on such verification.

(c) According to the information and explanations given to us and on the basis of examination of the records, the title deeds and lease agreements, as applicable, of immovable properties, as disclosed in Note 4 and included in Note 10A to the standalone financial statements relating to leasehold land, are held in the name of the Company, except as disclosed in footnote to Note 10A to the standalone financial statements.

(ii) The Company is a service company primarily engaged in providing information technology and related services. Accordingly, it does not hold any physical inventories. Thus, paragraph 3(ii) of the Order are not applicable to the Company.

(iii) According to the information and explanations given to us, 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. Accordingly, paragraph 3(iii) (a), (b) and (c) of the 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 Act, with respect to the investments made and guarantees given. The Company had not granted any loan or security to the parties covered under the provisions of Section 185 and 186 of the Act. Accordingly, compliance under section 185 and 186 of the Act in respect of pending loan or securities are not applicable to the Company.

(v) According to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of the directives issued by the Reserve Bank of India, provisions of Section 73 to 76 of the Act, any other relevant provisions of the Act and the relevant rules framed thereunder. Accordingly, paragraph 3(v) of the Order are not applicable to the Company.

(vi) The Central Government has not prescribed the maintenance of cost records under Section 148 of the Act for any of the services rendered by the Company. Accordingly, paragraph 3(vi) of the Order are not applicable to the Company.

(vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including Provident fund, Professional tax, Employees' State Insurance, Income-tax, Goods and Services tax, duty of Customs and other material statutory dues have been generally regularly deposited during the year by the Company with the appropriate authorities.

As explained to us, the Company did not have any dues on account of wealth tax, duty of excise and cess.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident fund, Employees' State Insurance, Income-tax, Goods and Services tax, duty of Customs and other material statutory dues were in arrears as at 31 December 2019, for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, except as mentioned below, there are no dues of Income-tax or Sales tax or Service tax or Goods and Services tax or duty of Customs or Value added tax and other material statutory dues which have not been deposited with appropriate authorities on account of disputes:

Name of the Act	Nature of Dues	Amount (Rs. in million)	Period to which amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	1.10	Financial year 2008-09	Assessing Officer
Income Tax Act, 1961	Income Tax	2.76	Financial year 2010-11	Commissioner of Income Tax (Appeals)

(viii) In our opinion and according to the information and explanations given to us, the Company did not have any outstanding loans or borrowings from any financial institution, bank or Government and there are no dues to debenture holders during the year.

(ix) In our opinion and according to the information and explanations given to us, the Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, paragraph 3(ix) of the Order is 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 fraud by the Company or any material instances of fraud 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) In our opinion and according to the information and explanations given to us and based on examination of the records of the Company, 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.

Annexure A to the Independent Auditors' Report – 31 December 2019 *(Continued)*

(xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, paragraph 3(xii) of the Order is not applicable to the Company.

(xiii) According to the information and explanations given to us and based on our examination of the records of the Company, all transactions with the related parties are in compliance with Sections 177 and 188 of the Act, where applicable, and details of such transactions have been disclosed in the standalone financial statements as required by the applicable accounting standards.

(xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, paragraph 3(xiv) of the Order is not applicable to the Company.

(xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable to the Company.

(xvi) In our opinion and according to the information and explanation given to us, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934. Accordingly, paragraph 3(xvi) of the Order is not applicable to the Company.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W- 100022

Rajesh Mehra
Partner
Membership No: 103145
UDIN: 20103145AAAAAI7604

Mumbai
11 February 2020

Hexaware Technologies Limited

Annexure B to the Independent Auditor's Report on the standalone financial statements of Hexaware Technologies Limited for the year ended 31 December 2019

Report on the internal financial controls with reference to the aforesaid standalone financial statements under clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

(Referred to in paragraph (2f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Opinion

We have audited the internal financial controls with reference to financial statements of Hexaware Technologies Limited ("the Company") as of 31 December 2019 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at 31 December 2019, based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note").

Management's Responsibility for Internal Financial Controls

The Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (hereinafter referred to as "the Act").

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under sub-section (10) of Section 143 of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements were established and maintained and whether such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of

Auditor's Responsibility *(Continued)*

such internal financial controls, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls with reference to financial statements.

Meaning of Internal Financial controls with Reference to Financial Statements

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

Inherent Limitations of Internal Financial controls with Reference to Financial Statements

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

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W- 100022

Rajesh Mehra
Partner
Membership No: 103145
UDIN: 20103145AAAAAI7604

Mumbai
11 February 2020

HEXAWARE TECHNOLOGIES LIMITED
STANDALONE BALANCE SHEET

(Rupees Million)

	Notes	As at December 31, 2019	As at December 31, 2018
ASSETS			
Non-current assets			
Property, plant and equipment	4	5,717.85	3,682.17
Capital work-in-progress - Tangible		871.92	2,253.03
Other intangible assets	5	102.90	92.87
Financial assets			
- Investments	6A	2,300.49	1,899.32
- Loans-Security deposits	8A	343.47	227.29
- Other financial assets	9A	58.24	107.77
Income tax asset (net)		380.14	374.13
Deferred tax assets (net)	7C	1,549.07	1,388.99
Other non-current assets	10A	777.28	786.24
Total non-current assets		12,101.36	10,811.81
Current assets			
Financial assets			
- Investments	6B	-	101.28
- Trade receivables	11	6,543.12	5,363.53
- Cash and cash equivalents	12A	670.22	1,320.47
- Other bank balances	12B	149.11	154.38
- Unbilled receivables		1,947.56	1,448.45
- Loans-Security deposits	8B	1.82	1.78
- Other financial assets	9B	740.63	506.95
Other current assets	10B	439.64	285.14
Total current assets		10,492.10	9,181.98
Total assets		**22,593.46**	**19,993.79**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	13	596.77	594.72
Other equity		18,916.32	16,776.08
Total equity		19,513.09	17,370.80
Non-current liabilities			
Financial liabilities			
- Other financial liabilities	14A	34.75	75.64
Other non-current Liabilities	16A	16.90	-
Provisions - Employee benefit obligations towards gratuity		410.89	218.79
Total non-current liabilities		462.54	294.43
Current liabilities			
Financial liabilities			
- Trade payables			
(i) Dues of micro and small enterprises	32	13.34	2.08
(ii) Others	15	872.92	796.56
- Other financial liabilities	14B	1,078.29	809.62
Other current liabilities	16B	298.80	411.79
Provisions			
-Employee benefit obligations towards compensated absences and others		271.84	217.40
-Others	17	-	-
Current tax liabilities (net)		82.64	91.11
Total current liabilities		2,617.83	2,328.56
Total liabilities		3,080.37	2,622.99
Total equity and liabilities		**22,593.46**	**19,993.79**

The accompanying notes 1 to 35 form an integral part of the financial statements

As per our report of even date attached

For B S R & Co. LLP
Firm's Registration No: 101248W/W-100022
Chartered Accountants

For and on behalf of the Board of Directors
(CIN : L72900MH1992PLC069662)

Rajesh Mehra
(Partner)

Membership No : 103145

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

Meera Shankar
(Director)
(DIN-06374957)

Mumbai, dated February 11th, 2020

HEXAWARE TECHNOLOGIES LIMITED
STANDALONE STATEMENT OF PROFIT AND LOSS

(Rupees Million except EPS)

	Notes	For year ended December 31, 2019	For year ended December 31, 2018
INCOME			
Revenue from operations	18	21,409.11	17,940.25
Exchange rate difference (net)		336.53	516.82
Other Income	19	28.67	24.95
Total income		**21,774.31**	**18,482.02**
EXPENSES			
Software and development expenses	20	1,066.59	672.88
Employee benefits expense	21	11,435.12	9,461.57
Operation and other expenses	22	2,565.90	2,335.38
Interest - others		0.42	0.28
Depreciation and amortisation expense	4,5	609.91	494.07
Total expenses		**15,677.94**	**12,964.18**
Profit before tax Before exceptional items		**6,096.37**	**5,517.84**
Less: Exceptional items (Acquisition related cost)		5.21	0.00
Profit before tax		**6,091.16**	**5,517.84**
Tax expense			
Current		1,136.63	1,232.74
Deferred Charge/ (credit)		-120.80	-244.49
		1,015.83	988.25
Profit for the year		**5,075.33**	**4,529.59**
Other comprehensive income			
i) Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit plan		-181.96	41.45
Income tax relating to items that will not be reclassified to profit or loss		34.13	-8.45
ii) Items that will be reclassified to profit or loss			
Net change in fair value of cash flow hedges		201.63	-598.18
Income tax relating to items that will be reclassified to profit or loss		39.28	117.49
Total other comprehensive income / (loss)		93.08	-447.69
Total comprehensive income for the year		**5,168.41**	**4,081.90**
Earnings per share (in Rupees)			
Basic	24	17.03	15.25
Diluted		16.81	14.99

The accompanying notes 1 to 35 form an integral part of the financial statements

As per our report of even date attached
For B S R & Co. LLP
Firm's Registration No: 101248W/W-100022
Chartered Accountants

For and on behalf of the Board of Directors
(CIN : L72900MH1992PLC069662)

Rajesh Mehra
(Partner)
Membership No : 103145

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

Meera Shankar
(Director)
(DIN-06374957)

Mumbai, dated February 11th, 2020

HEXAWARE TECHNOLOGIES LIMITED
STANDALONE STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2019

A. Equity Share Capital

(Rupees Million)

	As at December 31, 2019	As at December 31, 2018
Outstanding at the beginning of the year	594.72	593.61
Issued during the year	2.05	1.11
Outstanding at the end of the year	596.77	594.72

B. Other Equity

(Rupees Million)

				Reserves and Surplus					Other comprehensive income	
	Share application money pending allotment	**Securities Premium**	**Amalgamation Reserve**	**Special Economic Zone Re-investment Reserve**	**Share options outstanding account**	**Capital Redemption Reserve**	**General reserve**	**Retained Earnings**	**Cashflow Hedge Reserve (CFHR)**	**Total**
Balances as at January 1, 2019	0.42	3,635.69	4.38	476.46	991.75	11.39	2,117.71	9,553.14	(14.86)	16,776.08
Profit for the year	-	-	-	-	-	-	-	5,075.33	-	5,075.33
Other comprehensive income	-	-	-	-	-	-	-	(147.83)	240.92	93.09
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,927.50**	**240.92**	**5,168.42**
Cash dividend paid (including dividend tax)	-	-	-	-	-	-	-	(3,054.31)	-	(3,054.31)
Transfer from special economic zone reserve	-	-	-	(874.10)	-	-	-	874.10	-	-
Transfer to special economic zone reserve	-	-	-	397.64	-	-	-	(397.64)	-	-
Received / transferred on exercise of stock options	(0.42)	210.53	-	-	(210.53)	-	-	-	-	(0.42)
Compensation related to employee share based payments	-	-	-	-	26.55	-	-	-	-	26.55
As at December 31, 2019	**-**	**3,846.22**	**4.38**	**-**	**807.77**	**11.39**	**2,117.71**	**11,902.79**	**226.06**	**18,916.32**
Balances as at January 1, 2018	0.61	3,517.94	4.38	24.08	732.44	11.39	2,117.71	7,948.96	465.83	14,823.34
Profit for the year	-	-	-	-	-	-	-	4,529.59	-	4,529.59
Other comprehensive income	-	-	-	-	-	-	-	33.00	(480.69)	(447.69)
Total comprehensive income for the year								**4,562.59**	**(480.69)**	**4,081.90**
Cash dividend paid (including dividend tax)	-	-	-	-	-	-	-	(2,506.03)	-	(2,506.03)
Buy-back of shares	-	-	-	-	-	-	-	-	-	-
Shares Issued on exercise of Options	-	3.32	-	-	-	-	-	-	-	3.32
Tax benefit on share based compensation	-	-	-	-	-	-	-	-	-	-
Transfer to special economic zone reserve	-	-	-	749.63	-	-	-	(749.63)	-	-
Transfer from special economic zone reserve	-	-	-	(297.25)	-	-	-	297.25	-	-
Received / transferred on exercise of stock options	(0.19)	114.43	-	-	(114.43)	-	-	-	-	(0.19)
Compensation related to employee share based payments	-	-	-	-	373.74	-	-	-	-	373.74
As at December 31, 2018	0.42	3,635.69	4.38	476.46	991.75	11.39	2,117.71	9,553.14	(14.86)	16,776.08

Description of component of Other equity

a) Securities premium is used to record the premium received on issue of shares to be utilized in accordance with the provisions of the Companies Act, 2013 .

b) Capital reserve represent reserve on amalgamation

c) Capital redemption reserve is created on buy-back of the equity shares in accordance with the provisions of the Act.

d) 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.

e) Share option outstanding account is used to record the value of equity-settled share based payment transactions with employees. The amounts recorded in this account are transferred to securities premium upon exercise of stock options by employees.

f) General reserve represents appropriation of profits by the Company.

g) Retained earnings comprise of the accumulated undistributed earnings.

The accompanying notes 1 to 35 form an integral part of the financial statements
As per our report of even date attached

For B S R & Co. LLP
Firm's Registration No: 101248W/W-100022
Chartered Accountants

For and on behalf of the Board of Directors
(CIN : L72900MH1992PLC069662)

Rajesh Mehra
(Partner)
Membership No : 103145

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

Meera Shankar
(Director)
(DIN-06374957)

Mumbai, dated February 11th, 2020

HEXAWARE TECHNOLOGIES LIMITED

STANDALONE STATEMENT OF CASH FLOW

(Rupees Million)

	For Year ended December 31, 2019	For Year ended December 31, 2018
Cash Flow from operating activities		
Net Profit before tax	6,091.16	5,517.84
Adjustments for:		
Depreciation and amortization expense	609.91	494.07
Employee stock option compensation cost	-3.35	207.83
Interest income	-15.84	-5.64
Provision for doubtful accounts (net of writeback)	13.87	2.83
Debts and advances written off	-	5.47
Dividend from current investments	-2.93	-9.73
Loss/(Profit) on sale of property, plant and equipments (PPE) and intagible assets (net)	1.73	-0.03
Provision for impairment in the value of investment	-	132.79
Exchange rate difference (net) - unrealised	0.84	6.76
Interest expense	0.42	0.28
Operating profit before working capital changes	**6,695.81**	**6,352.47**
Adjustments for:		
Trade receivables and other assets	-2,047.48	-2,204.82
Trade payables and other liabilities	123.10	433.42
Cash generated from operations	**4,771.43**	**4,581.07**
Direct taxes paid (net)	-1,116.98	-1,188.12
Net cash from operating activities	**3,654.45**	**3,392.95**
Cash flow from investing activities		
Purchase of PPE, Intangible assets and CWIP including advances	-973.50	-548.69
Interest received	16.79	5.87
Purchase of current investments	-1,115.43	-3,292.46
Proceeds from sale/ redemption of current Investments	1,216.71	3,380.37
Investment in subsidiaries	-401.17	-3.71
Dividend from current investments	2.93	9.73
Proceeds from sale of PPE	2.91	2.70
Net cash used in investing activities	**-1,250.76**	**(446.19)**
Cash flow from financing activities		
Proceeds from issue of shares / share application money (net)	1.63	4.24
Interest paid	-0.42	-0.28
Dividend paid (including corporate dividend tax)	-3,054.31	-2,506.03
Net cash used in financing activities	**-3,053.10**	**(2,502.07)**
Net increase / (decrease) in cash and cash equivalents	-649.41	444.69
Cash and cash equivalents at the beginning of the year	1,320.47	882.53
Unrealised gain on foreign currency cash & cash equivalents	-0.84	-6.75
Cash and cash equivalents at the end of the year (Refer note 12A)	**670.22**	**1,320.47**

The accompanying notes 1 to 35 form an integral part of the financial statements

As per our report of even date attached

For B S R & Co. LLP
Firm's Registration No: 101248W/W-100022
Chartered Accountants

Rajesh Mehra
(Partner)

Membership No : 103145

Mumbai, dated February 11th, 2020

For and on behalf of the Board of Directors
(CIN : L72900MH1992PLC069662)

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

Meera Shankar
(Director)
(DIN-06374957)

HEXAWARE TECHNOLOGIES LIMITED

NOTES TO STANDALONE 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 services. 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.

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.

These financial statements have been prepared in Indian Rupee (₹) which is the functional currency of the Company

All assets and liabilities have been classified as current and non-current as per the Company’s normal operating cycle. Based on the nature of services rendered to customers and time elapsed between deployment of resources and the realisation in cash and cash equivalents of the consideration for such services rendered, the Company has considered an operating cycle of 12 months.

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 reliably estimated.

The Company uses judgement to determine an appropriate standalone selling price for a performance obligation. The Company allocates the transaction price to each performance obligation on the basis of the relative standalone selling price of each distinct product or service promised in the contract. Where standalone selling price is not observable, the Company uses the expected cost plus margin approach to allocate the transaction price to each distinct performance obligation.

Judgement is also required to determine the transaction price for the contract. The transaction price could be either a fixed amount or variable consideration with elements such as volume discounts, service level credits, performance bonuses, price concessions and incentives. The transaction price is also adjusted for the effects of the time value of money if the contract includes a significant financing component. Any consideration payable to the customer is adjusted to the transaction price, unless it is a payment for a distinct product or service from the customer. The estimated amount of variable consideration is adjusted in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and is reassessed at the end of each reporting period.

Contract fulfilment costs/contract asset are generally expensed as incurred except for certain costs which meet the criteria for capitalisation. The assessment of this criteria requires the application of judgement, in particular, when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recovered.

2.3.2 Income-tax

The major tax jurisdiction for the Company is India though the Company also files tax returns in overseas jurisdictions. 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 and deferred tax on unrecognised tax benefits. Tax assessment can involve complex issues, which can only be resolved over extended time periods.

2.3.3 Others

Other 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.

2.4 Revenue Recognition

Effective January 1, 2019, the Company has applied Ind AS 115 which establishes a comprehensive framework for determining whether, how much and when revenue is to be recognised. Ind AS 115 replaces Ind AS 18 Revenue and Ind AS 11 Construction Contracts. The Company has adopted Ind AS 115 using the cumulative catch-up transition method, the comparatives have not been retrospectively adjusted and it continues to be reported under Ind AS 18 and Ind AS 11. Refer note 2.4 – Significant accounting policies – Revenue recognition in the Annual report of the Company for the year ended December 31, 2018, for revenue recognition policy as per Ind AS 18 and Ind AS 11. The impact of adoption of the standard on the financial statements of the Company is not material.

Revenue is recognised upon transfer of control of promised products or services to customers in an amount that reflects the consideration which the Company expects to receive in exchange for those products or services.

In case of contract on time and material basis, transaction-based or volume-based contracts, 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 (Contract liability). Unbilled receivables (Contract assets) represents revenue recognized based on services performed in advance of billing in accordance with contract terms.

Revenues related to fixed-price maintenance, testing and business process services are recognized based on our right to invoice for services performed for contracts in which the invoicing is representative of the value being delivered. If our invoicing is not consistent with value delivered, revenues are recognized as the service is performed using the percentage of completion method.

Revenue is measured based on the transaction price, which is the consideration, adjusted for volume discounts, service level credits, performance bonuses, price concessions and incentives, if any, as specified in the contract with the customer. Revenue also excludes taxes collected from customers.

Contracts are subject to modification to account for changes in contract specification and requirements. The Company reviews modification to contract in conjunction with the original contract, basis which the transaction price could be allocated to a new performance obligation, or transaction price of an existing obligation could undergo a change. In the event transaction price is revised for existing obligation, a cumulative adjustment is accounted for.

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 of the leased assets determined at the inception of the lease 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 periodic 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 expense 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 Functional and presentation currency

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 the 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 date of Balance Sheet. 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.

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 schmes 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.

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 determined by the management based on the expert technical advice/ stipulations of Schedule II to the Act.

Asset Class	**Estimated useful Life**
Buildings	60 years
Computer Systems (included in Plant and Machinery)	3 years
Office Equipment	3-5 years
Electrical Fittings (included in Plant and Machinery)	8 years
Furniture and Fixtures	3-8 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. Following table summarises the nature of intangibles and the estimated useful lives.

Asset Class	**Estimated useful Life**
Software licenses	3 years
Customer contracts / relations	5-7 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 recognizes lifetime expected losses for all contract assets and / or all trade receivables. For all other financial assets except for investments, 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. In case of Investments, the Company periodically reviews its carrying value of investments for indication for impairment. If the recoverable amount is less than its carrying amount, the impairment loss is accounted for.

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.

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 within 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 within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(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.

2.17 Earnings per share ('EPS')

Basic EPS is computed by dividing profit or loss attributable to equity shareholders of the Company by the weighted average number of equity shares outstanding during the period. 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 Recent accounting pronouncements

Certain new standards, amendments to standards are not yet effective for annual periods beginning after January 1, 2019, and have not been applied in preparing these financial statements. New standards, amendments to standards and interpretations that could have potential impact on the financial statements of the Company are:

a) **Ind AS 116 – Leases**

Ind AS 116 replaces the existing leases Standard, Ind AS 17 Leases, and related interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The Standard also contains enhanced disclosure requirements for lessees. The effective date for adoption of Ind AS 116 is annual periods beginning January 1, 2020.

b) **Ind AS 12 – Income taxes (amendments relating to income tax consequences of dividend and uncertainty over income tax treatments)**

The amendment relating to income tax consequences of dividend clarify that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

The amendment to Appendix C of Ind AS 12 specifies that the amendment is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. It outlines the following: (1) the entity has to use judgement, to determine whether each tax treatment should be considered separately or whether some can be considered together. The decision should be based on the approach which provides better predictions of the resolution of the uncertainty (2) the entity is to assume that the taxation authority will have full knowledge of all relevant information while examining any amount (3) entity has to consider the probability of the relevant taxation authority accepting the tax treatment and the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates would depend upon the probability.

The above amendments are effective from the annual periods beginning January 1, 2020. The Company is currently assessing the impact of adopting the amendments on its financial statements.

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

PPE consist of the following :

	Freehold Land	Buildings	Plant and Machinery	Furniture and Fixtures	Vehicles	Office Equipments	Leasehold Improvements	Total
COST								
At January 1, 2019	0.15	3,036.02	2,117.59	685.98	16.93	1,239.79	4.97	7,101.43
Additions	-	886.26	704.49	397.55	2.57	597.43	-	2,588.30
(Disposals) / Adjustments	-	(2.87)	(41.91)	(14.65)	(0.93)	(4.35)	-	(64.71)
At December 31, 2019	0.15	3,919.41	2,780.17	1,068.88	18.57	1,832.87	4.97	9,625.02
ACCUMULATED DEPRECIATION								
At January 1, 2019	-	363.85	1,633.88	498.21	12.05	906.31	4.96	3,419.26
Charge for the year	-	57.92	275.47	75.28	2.83	136.48	0.00	547.98
(Disposals) / adjustments	-	(0.42)	(40.10)	(14.65)	(0.93)	(3.97)	-	(60.07)
At December 31, 2019	-	421.35	1,869.25	558.84	13.95	1,038.82	4.96	3,907.17
NET CARRYING AMOUNT								
At December 31, 2019	0.15	3,498.06	910.92	510.04	4.62	794.05	0.01	5,717.85
COST								
At January 1, 2018	0.15	2,734.49	1,878.08	624.83	17.85	1,185.21	4.97	6,445.58
Additions	-	301.53	275.69	61.15	-	66.23	-	704.60
(Disposals) / adjustments	-	-	-36.18	-	-0.92	-11.65	-	(48.75)
At December 31, 2018	0.15	3,036.02	2,117.59	685.98	16.93	1,239.79	4.97	7,101.43
ACCUMULATED DEPRECIATION								
At January 1, 2018	-	310.99	1,447.48	453.98	10.30	804.30	4.92	3,031.97
Charge for the year	-	52.86	219.92	44.23	2.67	113.65	0.04	433.37
(Disposals) / adjustments	-	-	-33.52	-	-0.92	-11.64	-	(46.08)
At December 31, 2018	-	363.85	1,633.88	498.21	12.05	906.31	4.96	3,419.26
NET CARRYING AMOUNT								
At December 31, 2018	0.15	2,672.17	483.71	187.77	4.88	333.48	0.01	3,682.17

Note:

i) Plant and machinery includes computer systems.

ii) 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, 2019 and December 31, 2018 and net carrying value amounting to Rs. 251.42 million and Rs. 257.17 million as at December 31, 2019 and December 31, 2018 respectively.

(Rupees Million)

5 Other Intangible assets

Intangible assets consist of the following :

	Software Licences	Customer Contracts/Relations	Total
COST			
At January 1, 2019	582.93	-	582.93
Additions	50.94	21.02	71.96
At December 31, 2019	633.87	21.02	654.89
ACCUMULATED AMORTISATION			
At January 1, 2019	490.06	-	490.06
Amortisation for the year	58.43	3.50	61.93
At December 31, 2019	548.49	3.50	551.99
NET CARRYING AMOUNT			
At December 31, 2019	85.38	17.52	102.90
COST			
At January 1, 2018	511.44	-	511.44
Additions	71.49	-	71.49
At December 31, 2018	582.93	-	582.93
ACCUMULATED AMORTISATION			
At January 1, 2018	429.36	-	429.36
Amortisation for the year	60.70	-	60.70
At December 31, 2018	490.06	-	490.06
NET CARRYING AMOUNT			
At December 31, 2018	92.87	-	92.87

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

(Rupees Million)

6 Investments

	As at December 31, 2019	As at December 31, 2018
A Non current investments in equity shares (unquoted)		
Investments in equity instruments of subsidiaries (at cost)		
30,026 common stock at no par value in Hexaware Technologies Inc., U.S.A.	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
500,000 shares of Singapore $ 1/- each fully paid up in Hexaware Technologies Asia Pacific Pte. Ltd., Singapore	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
1 common stock at no par value in Hexaware Technologies Canada Limited, Canada	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
40 shares at no par value in Guangzhou Hexaware Information Technologies Company Limited, China (1)	2.00	2.00
Entire Share Capital in Hexaware Technologies Limited Liability Company, Russia (2)	26.95	26.95
45,000 shares of SAR 10/- each in Hexaware Technologies Saudi LLC, Saudi Arabia	8.03	8.03
1,945,000 shares of HKD 1/- each in Hexaware Technologies Hong Kong Limited, Hong Kong	16.13	16.13
500 shares of SEK 100/- each in Hexaware Technologies Nordic AB, Sweden	0.40	0.40
10 shares of USD 5000/- each in Hexaware Information Technologies (Shanghai) Company Limited.	3.71	3.71
10292 Shares of INR 10/- each in Mobiquity Softech Pvt Ltd	401.17	-
	2,295.91	1,894.74
Other Investments		
At fair value through other comprehensive income		
240,958 equity shares of Rs. 10/- each in Beta Wind Farm Pvt. Ltd.	4.58	4.58
	2,300.49	1,899.32

Notes:

1 Net of provision for impairment in the value of investment of Rs.11.14 Million (December 31, 2018 Rs. 11.14 Million)

2 Net of provision for impairment in the value of investment of Rs.121.65 Million (December 31, 2018 Rs. 121.65 Million)

	As at December 31, 2019	As at December 31, 2018
B Current investments in mutual funds (unquoted)		
At fair value through profit and loss account		
Mutual fund units	-	101.28

(Rupees Million)

			For Year ended December 31, 2019	For Year ended December 31, 2018
7	A	**Income taxes**		
		Income tax expense is allocated as follows :		
		Income tax expense as per the Statement of Profit and Loss	1,015.83	988.25
		Income tax included in Other Comprehensive Income on :		
	a)	Net change in fair value of cash flow hedges	(39.28)	(117.49)
	b)	Remeasurement of defined benefit plan	(34.13)	8.45
			942.42	879.21

B 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:

	For Year ended December 31, 2019	For Year ended December 31, 2018
Profit before income-tax	6,091.16	5,517.84
Expected tax expense at the enacted tax rate of 34.944% (Previous year 34.944%) in India	2,128.49	1,928.15
Tax effect of adjustments to reconcile expected income tax expense to reported income tax expense :		
Income exempt from tax	(1,137.08)	(1,042.97)
Tax effect of non-deductible expenses	23.76	90.08
Short provision of taxes of earlier years	-	-
Others	0.65	12.99
Income tax expense recognised in statement of profit and loss	1,015.83	988.25

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.

7 Income taxes (cont'd) **(Rupees Million)**

C Components of deferred taxes:

	January 1, 2019	Recognised in profit or loss	Recognised in OCI	December 31, 2019	December 31, 2018
Deferred tax assets					
Credit loss on trade receivables	21.84	0.69	-	22.53	21.84
Employee benefit obligations	91.02	9.02	-	100.04	91.02
Provision for severance pay	0.01	-	-	0.01	0.01
Minimum alternate tax credit carry forward	1,482.16	153.96	-	1,636.12	1,482.16
Unrealised loss on cash flow hedges				-	0.89
Total	1,595.03	163.67	-	1,758.70	1,595.92
Deferred tax liabilities					
Unrealised gain on cash flow hedges	(0.89)	-	(39.28)	(40.17)	-
Depreciation	206.93	42.87	-	249.80	206.93
Total	206.04	42.87	- 39.28	209.63	206.93
Net deferred tax asset	1,388.99	120.80	39.28	1,549.07	1,388.99

Components of deferred taxes:

	January 1, 2018	Recognised in profit or loss	Recognised in OCI	December 31, 2018
Deferred tax assets				
Allowance for doubtful debts and advances	19.63	2.21	-	21.84
Employee benefit obligations	92.66	(1.64)	-	91.02
Provision for severance pay	2.02	(2.01)	-	0.01
Minimum alternate tax credit carry forward	1,233.77	248.39	-	1,482.16
Unrealised loss on cash flow hedges	-116.60	0.00	117.49	0.89
Total	1,231.48	246.95	117.49	1,595.92
Deferred tax liabilities				
Unrealised gain on cash flow hedges				
Depreciation	204.46	2.46	-	206.93
Total	204.46	2.46	0.00	206.93
Net deferred tax asset	1,027.02	244.49	117.49	1,388.99

a) Deferred income tax assets have not been recognized on temporary differences amounting to approximately Rs. 538.29 million as at December 31, 2019 (Rs. 506.81 million as at December 31, 2018) associated with investment in subsidiaries as it is probable that the temporary differences will not reverse in the foreseeable future.

b) There are unused tax credits as at December 31, 2019 aggregating Rs. 332.31 million (Rs. 234.06 as at December 31, 2018) for which no deferred tax asset is recognized in the Balance sheet.

(Rupees Million)

	As at December 31, 2019	As at December 31, 2018
8 Loans (Unsecured, considered good)		
A Non-current		
Security deposits for premises and others (a)	343.47	227.29
B Current		
Security deposits for premises and others	1.82	1.78

(a) Exclude deposits aggregating Rs. 34.56 million and Rs. 34.56 million provided as doubtful of recovery basis the expected credit loss model as of December 31, 2019 and December 31, 2018 respectively.

	As at December 31, 2019	As at December 31, 2018
9 Other financial assets (unsecured) (considered good)		
A Non-current		
Other receivables from related parties (Refer note no. 25)	-	-
Interest accrued on bank deposits	0.26	0.77
Foreign currency derivative assets	49.90	101.43
Restricted bank balances (a)	8.08	5.57
	58.24	107.77

(a) Restriction on account of bank deposits held as margin money

	As at December 31, 2019	As at December 31, 2018
B Current		
Interest accrued on bank deposits	0.22	0.66
Foreign currency derivative assets	228.49	94.16
Other receivables from related parties (Refer note no. 25) (a)	378.52	289.07
Employee advances	133.40	123.06
	740.63	506.95

(Rupees Million)

10 Other assets (unsecured)

A Non-current

	As at December 31, 2019	As at December 31, 2018
Capital advances	17.41	47.05
Prepaid expenses relating to leasehold land *	527.64	530.30
Other prepaid expenses	12.56	8.20
Deferred contract cost (Refer note 18.4)	95.11	88.47
Indirect taxes recoverable	124.56	112.22
	777.28	786.24

* inlcludes unamortised lease premium in respect of one parcel of leasehold land alloted to the Company at Nagpur for which final lease agreement is being executed amounting to Rs. 78.95 million and 79.87 million as at December 31, 2019 and December 31, 2018 respectively.

B Current

Prepaid expenses	277.39	202.46
Deferred contract cost (Refer note 18.4)	59.62	-
Indirect taxes recoverable	84.10	65.34
Others	18.53	17.34
	439.64	285.14

11 Trade Receivables (unsecured)

Considered good	6,543.12	5,363.53
Considered doubtful	46.31	32.38
Less: Credit impaired	(46.31)	(32.38)
	6,543.12	5,363.53

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

Not Due	5,498.13	4,318.69
Due less than 180 days*	13.42	1,015.74
Due more than 180 days**	1,031.57	29.10
	6,543.12	5,363.53

* Net of allowance for doubtful receivables Rs. 9.54 Million (Previous year 0.43 Million)
** Net of allowance for doubtful receivables Rs. 36.77 Million (Previous year 31.95 Million)

Movement in Credit loss		
Balance at the beginning of the year	32.38	29.05
Expense for the year	58.32	59.13
Amounts recovered during the year	-44.45	-57.54
Exchange rate fluctuations	0.06	1.74
Balance at the end of the year	46.31	32.38
	-	-

12 Cash and bank balances:

A Cash and cash equivalents

Remittance in transit	75.61	-
In current accounts with banks	554.16	1,257.70
Bank deposit accounts with less than 3 months maturity	40.45	62.77
Unclaimed dividend accounts	149.11	154.38
Margin money with banks	8.08	5.57
	827.41	1,480.42
Less: Restricted bank balances	-157.19	-159.95
	670.22	1,320.47

B Other bank balances

Restricted bank balances in respect of unclaimed dividend	149.11	154.38
	149.11	154.38

13 Equity Share Capital

(Rupees Million)
(except per share data)

13.1 Authorised capital	As at December 31, 2019	As at December 31, 2018
525,000,000 Equity shares of Rs. 2 each	1,050.00	1,050.00
1,100,000 Series "A" Preference Shares of Rs.1,421 each	1,563.10	1,563.10
13.2 Issued, subscribed and paid-up capital		
Equity shares of Rs. 2 each fully paid	596.77	594.72
13.3 Reconciliation of number of shares		
Shares outstanding at the beginning of the year	29,73,60,989	29,68,03,757
Shares issued during the year	10,23,332	5,57,232
Shares outstanding at the end of the year	29,83,84,321	29,73,60,989

13.4 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.

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

Name of Shareholder		As at December 31, 2019	As at December 31, 2018
HT Global IT Solutions Holdings Ltd. (Holding Company)	No. of shares held	18,63,18,590	18,63,18,590
	% of holding	62.44%	62.66%
HDFC Trustee Company Limited	No. of shares held	1,99,27,531	1,92,74,031
	% of holding	6.68%	6.48%

13.6 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 was charged to other equity.

13.7 Shares reserved for issue under options

The Company has granted employee stock options under ESOP 2007 and 2008 schemes and restricted stock (RSU's) under the ESOP 2008 and 2015 scheme. Each option / RSU entitles the holder to one equity share of Rs. 2 each. 7,824,439 options/ RSU's were outstanding as on December 31, 2019 (8,687,324 options as on December 31, 2018).

13.8 The dividend per share recognised as distribution to equity shareholders during the year ended December 31, 2019 was Rs 8.50 per share (year ended December 31, 2018 was Rs.7.00 per share).

(Rupees Million)

		As at December 31, 2019	As at December 31, 2018
14	**Other financial liabilities**		
A	**Non-current**		
	Capital creditors	1.17	-
	Foreign currency derivative liabilities	31.40	72.95
	Accrued expenses	2.18	2.69
		34.75	75.64
B	**Current**		
	Unclaimed dividend *	149.11	154.38
	Capital creditors	349.77	74.93
	Employee liabilities	512.62	445.12
	Foreign currency derivative liabilities	66.79	135.19
		1,078.29	809.62

*There is no amount due and outstanding to be credited to Investor Education and Protection Fund.

15	**Trade payables (other than MSME)**		
	Trade payables	337.37	292.99
	Accrued expenses	535.55	503.57
		872.92	796.56
16	**Other liabilities**		
A	**Non-Current**		
	Unearned revenues	16.90	-
		16.90	-
B	**Current**		
	Advance from Customers	-	190.12
	Unearned revenues	75.78	17.09
	Statutory liabilities*	223.02	204.58
		298.80	411.79

*There are no amounts due and outstanding to be credited to Investor Education and Protection Fund (IEPF) as at December 31, 2019.

17	**Provisions - Others**		
	Provision at the beginning of the year	-	5.82
	Paid during the year	-	(3.11)
	Adjusted during the year	-	(2.71)
	Provision at the end of the year	-	-

Above provision was towards expenditure relating to employee benefit obligations on contract acquisition.

18 Revenue from operations **Rupees Million**

18.1 The disaggregated revenue with the customers for the year ended 31 December 2019 by contract type:

	For the year ended	
	December 31, 2019	December 31, 2018
Offshore	91.30%	93.83%
Onshore	8.71%	6.16%
Total revenue from operations	**100%**	**100%**

18.2 The revenue from contracts as per geography for the year ended 31 December 2019 is as under:

	For the year ended	
	December 31, 2019	December 31, 2018
Americas	14,480.65	12,241.39
Europe	2,756.16	2,529.91
APAC	4,172.30	3,168.95
Total revenue from operations	**21,409.11**	**17,940.25**

18.3 Reconciliation of revenue recognised with the contracted price is as follows:

	For the year ended	
	December 31, 2019	December 31, 2018
Contracted price	21,453.16	17,982.32
Reductions towards variable consideration components (discounts, rebate)	-44.05	-42.07
Revenue recognised	**21,409.11**	**17,940.25**

18.4 Deferred contract cost

Deferred contract cost represents the contract fulfilment cost and cost for obtaining the contract. The below table discloses the movement in deferred contract cost:

	For the year ended	
	December 31, 2019	December 31, 2018
Balance at the beginning of the year	88.47	-
Cost capitalised during the year	100.26	92.08
Cost amortised during the year	-34.00	-3.61
Balance at the end of the year (Refer note 10)	**154.73**	**88.47**

18.5 Changes in unearned revenue are as follows:

	For the year ended	
	December 31, 2019	December 31, 2018
Balance at the beginning of the year	17.09	5.49
Revenue recognised during the year	-17.09	-5.49
Addition during the year	92.68	17.09
Balance at the end of the year (Refer note 16)	**92.68**	**17.09**

18.6 Transaction price allocated to the remaining performance obligations

Particulars	**As at December 31, 2019**
Within 1 year	1,363.33
More than 1 year	1,852.97

The Company has applied practical expedient and has not disclosed information about remaining performance obligations in contracts where the original contract duration is one year or less or where the entity has the right to consideration that corresponds directly with the value of entity's performance completed to date. The above revenue is subject to change in transaction price.

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(Rupees Million)

		For year ended December 31, 2019	For year ended December 31, 2018
19	**Other income**		
	Dividend and guarantee	2.93	9.73
	Interest income	15.84	5.64
	Profit on sale of PPE (net)	-1.73	0.03
	Miscellaneous income	11.63	9.55
		28.67	24.95
20	**Software and development expenses**		
	Other expenses	287.29	241.91
	Software expenses *	779.30	430.97
		1,066.59	672.88
	* includes sub- contracting charges	425.69	273.21
21	**Employee benefits expense**		
	Salary and allowances	10,307.62	8,310.72
	Contribution to provident and other funds	668.26	550.36
	Staff welfare expenses	462.59	392.66
	Employee stock option compensation cost	-3.35	207.83
		11,435.12	9,461.57
22	**Operation and other expenses**		
	Rent	284.18	235.80
	Rates and taxes	34.93	39.21
	Travelling and conveyance	495.23	406.91
	Electricity charges	295.23	240.35
	Communication expenses	204.73	155.83
	Repairs and maintenance	410.61	352.28
	Printing and stationery	43.72	26.51
	Payment to auditors		
	- Audit fees	9.38	10.57
	- Tax audit fees	1.20	4.58
	- Certification work, taxation and other matters	3.71	1.24
	Legal and professional fees	141.47	167.20
	Advertisement and business promotion	114.56	118.30
	Bank and other charges	12.31	12.42
	Directors' sitting fees	1.48	1.98
	Insurance charges	23.71	21.65
	Debts and advances written off	0.00	5.47
	Provision for doubtful accounts (net of write back)	13.87	2.83
	Provision for impairment in the value of investment	0.00	132.79
	Staff recruitment expenses	119.14	99.12
	Service charges	238.59	190.88
	Miscellaneous expenses	117.85	109.46
		2,565.90	2,335.38

23 Financial Instruments

(Rupees Million)

23.1 The carrying value / fair value of financial instruments by categories is as follows:

December 31, 2019	Amortised Cost	Fair value through profit and loss	Fair value through other comprehensive income	Derivative instrument in hedging relationship	Total carrying / fair value
Cash and cash equivalents	670.22	-	-	-	670.22
Other bank balances	149.11	-	-	-	149.11
Investments in mutual fund units	-	-	-	-	-
Trade receivables	6,543.12	-	-	-	6,543.12
Unbilled receivables	1,947.56	-	-	-	1,947.56
Loans-Security deposits	345.29	-	-	-	345.29
Other financial assets	520.48	-	-	278.39	798.87
Investments in equity shares	-	-	4.58	-	4.58
	10,175.78	-	4.58	278.39	10,458.75
Trade payables	886.26	-	-	-	886.26
Other financial liabilities	1,014.85	-	-	98.19	1,113.04
	1,901.11	-	-	98.19	1,999.30

December 31, 2018	Amortised Cost	Fair value through profit and loss	Fair value through other comprehensive income	Derivative instrument in hedging relationship	Total carrying / fair value
Cash and cash equivalents	1,320.47	-	-	-	1,320.47
Other bank balances	154.38	-	-	-	154.38
Investments in mutual fund units	-	101.28	-	-	101.28
Trade receivables	5,363.53	-	-	-	5,363.53
Unbilled receivables	1,448.45	-	-	-	1,448.45
Other financial assets	419.13	-	-	195.59	614.72
Investments in equity shares	-	-	4.58	-	4.58
	8,705.96	101.28	4.58	195.59	9,007.41
Trade payables	-	-	-	-	-
Other financial liabilities	677.12	-	-	208.14	885.26
	677.12	-	-	208.14	885.26

Carrying amount of cash and cash equivalents, other bank balances, trade receivables, unbilled receivables, trade payables, borrowings, deferred consideration, 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 period presented.

23 Financial Instruments (Cont'd)

23.2 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)

December 31, 2019	Level I	Level II	Level III	Total
Mutual fund units	-	-	-	-
Investments in equity shares	-	-	4.58	4.58
Derivative financial assets	-	278.39	-	278.39
	-	278.39	4.58	282.97
Derivative financial liabilities	-	98.19	-	98.19

December 31, 2018	Level I	Level II	Level III	Total
Mutual fund units	101.28	-	-	101.28
Investments in equity shares	-	-	4.58	4.58
Derivative financial assets	-	195.59	-	195.59
	101.28	195.59	4.58	301.45
Derivative financial liabilities	-	208.14	-	208.14

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 investments in equity shares is considered to be representative of fair value.

23 Financial Instruments (cont'd)

23.3 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 our global CEO and CFO, after consultation with all business units, functions and department heads.

Geographic and client concentration risk

In year 2019, Americas contributed 67.64% (year 2018 - 68%) of the Company's total revenue. 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.

74.46% of the revenue of the year is generated from top 10 clients (previouse year - 77.00%). 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 us 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 the Company add more clients and grow revenues from the existing clients, it reduces 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 Company's transactions are done on credit, the Company is exposed to credit risk on accounts receivable. Any delay, default or inability on the part of the client to pay on time will expose the Company to credit risk and can impact profitability. Company's maximum credit exposure is in respect of trade receivables of Rs. 6543.12 million and Rs. 5,363.53 million as at December 31, 2019 and December 31, 2018, respectively and unbilled receivables of Rs 1,947.56 miillion and Rs. 1,448.45 million as at December 31, 2019, December 31, 2018, respectively.

The Company adopted an effective receivable management system to control the Days' Sales Outstanding (DSO).Refer Note No 11 for the age wise analysis of trade receivables that are not due as well as past due and allowance for the doubtful receivables.

Top 10 customer dues (including unbilled receivables) contribute 78.6% of the total outstanding as at December 31, 2019 (84.00% as at December 31, 2018).

Cash and cash equivalents and mutual funds are neither past due nor impaired. Cash and cash equivalents include deposits with banks and financial institution with high credit-ratings assigned by credit-rating agencies. The investment in liquid mutual fund units are measured at fair value through profit and loss.

23 Financial Instruments (cont'd)

23.3 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, 2019:

	USD	EUR	GBP	Others*
Net financial assets	5,268.08	246.50	752.91	214.71
Net financial liabilities	143.23	0.77	0.46	-
Net assets/(liabilities)	5,124.85	245.73	752.45	214.71

(Rupees Million)

The following table analyses foreign currency risk from financial instruments as at December 31, 2018:

	USD	EUR	GBP	Others*
Net financial assets	4,823.60	60.97	458.12	347.11
Net financial liabilities	45.58	6.44	-	1.30
Net assets/(liabilities)	4,778.02	54.53	458.12	345.81

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.633.77 million and Rs. 563.65 million for the year ended December 31, 2019 and December 31, 2018, respectively.

*Others include currencies such as Singapore Dollars, Canadian Dollars, United Arab Emirates Dirhams, Philippine Pesos, Japanese Yen, 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.

The Company had outstanding hedging instrument in the form of foreign currency forward contracts as at:

in Million

Currency hedged (Sell contracts)	December 31 2019	December 31 2018
USD	212.02	162.12
Euro	6.60	5.84
GBP	13.60	11.32

The weighted average forward rate for the hedges outstanding as at December 31, 2019 is Rs. 74.85, Rs.89.02 and Rs. 99.14 (As at December 31, 2018 Rs. 71.83, Rs. 88.22 and Rs. 98.70) for USD, Euro and GBP, respectively. The hedges mature over the eight quarters.

10% depreciation/appreciation of the respective foreign currencies with respect to closing exchange rate would result in the decrease / increase in Company's other comprehensive income approximate by Rs.207.79 million and Rs.149.56 for the year ended December 31, 2019 and December 31, 2018, respectively.

23 Financial Instruments (cont'd)

23.4 Financial risk management (cont'd)

Foreign Currency fluctuations Risk (cont'd)

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

(Rupees Million)

	For the year ended December 31, 2019	For the year ended December 31, 2018
Balance at the beginning of the year	(14.86)	465.83
Less: Net gains transferred to statement of profit or loss on occurrence of forecasted hedge transaction	(111.49)	(145.59)
Add: Changes in the fair value of the effective portion of outstanding cash flow hedges	313.13	(452.59)
Less : Deferred tax on CFHR	39.28	117.49
Balance at the end of the year	226.06	(14.86)

There were no material hedge ineffectiveness for the year ended December 31, 2019 and December 31, 2018.

Liquidity risk

The Company needs continuous access to funds to meet short and long term strategic investments. 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.

Over the years, the Company has increased its liquidity position by managing its DSO and maintaining high cash / bank balance and investments.

As at December 31, 2019, the Company had total cash, bank balance and investments of Rs. 827.40 million (as at December 31, 2018 Rs. 1,581.70 million) which constitutes approximately 4% (previouse year 8%) of total assets. The Company does not have any debt.

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

(Rupees Million)

As at December 31, 2019	Less than 1 year	1-5 years	Total
Trade and other payables	886.26	-	886.26
Derivative financial liabilities	66.79	31.40	98.19
Others (Refer note 14B)	1,011.50	2.18	1,013.68
Total	1,964.55	33.58	1,998.13

(Rupees Million)

As at December 31, 2018	Less than 1 year	1-5 years	Total
Trade and other payables	-	-	-
Derivative financial liabilities	135.19	72.95	208.14
Others (Refer note 14B)	674.43	2.69	677.12
Total	809.62	75.64	885.26

Interest rate risk

The Company does not have any debt. The balances with banks is in the form of 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 STANDALONE FINANCIAL STATEMENTS

24 Earnings per share

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

	Year ended	
	December 31, 2019	**December 31, 2018**
Net profit after tax (Rupees Million)	5,075.33	4,529.59
Weighted average outstanding equity shares considered for basic EPS (Nos.)	29,80,38,633	29,69,30,534
Basic earnings per share (In Rupees)	17.03	15.25
Weighted average outstanding equity shares considered for basic EPS (Nos.)	29,80,38,633	29,69,30,534
Add : Effect of dilutive issue of stock options (Nos.)	38,61,769	52,45,943
Weighted average outstanding equity shares considered for diluted EPS (Nos.)	30,19,00,401	30,21,76,477
Diluted earnings per share (In Rupees)	16.81	14.99
Par value per share	2.00	2.00

25 Related party disclosures

Name of the Related Parties	**Country**
Ultimate Holding company and its Subsidiaries	
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
Holding Company (control exists)	
HT Global IT Solutions Holdings Limited	Mauritius
Subsidiaries	
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
Guangzhou Hexaware Information Technologies Company Limited	China
Hexaware Technologies LLC	Russia
Hexaware Technologies Saudi LLC	Saudi Arabia
Hexaware Technologies Romania SRL (1)	Romania
Hexaware Technologies Hong Kong Limited	China
Hexaware Technologies Nordic AB	Sweden
Digitech Technologies Incorporated (2)	USA
Hexaware Information Technologies (Shanghai) Company Limited	China
Mobiquity Inc (3)	USA
Mobiquity Velocity Solutions, Inc (4)	USA
Mobiquity Velocity Cooperative UA (4)	Netherland
Mobiquity BV (5)	Netherland
Morgan Clark BV (5)	Netherland
Mobiquity Softech Private Limited (6)	India
Montana Merger Sub Inc. (7)	USA
Hexaware Technologies South Africa (Pty) Ltd (8)	South Africa
Associate	
Experis Technology Solutions Pte Ltd (9)	Singapore
Key Management Personnel (KMP)	
Executive Director and CEO	
Mr. R Srikrishna	
Non-executive directors	
Mr. Atul K Nishar	
Mr. Jimmy Mahtani	
Mr. Kosmas Kalliarekos	
Mr. Dileep Choksi (Retired on October 16, 2019)	
Mr. Bharat Shah (Retired on October 16, 2019)	
Mr. P R Chandrasekar	
Ms. Meera Shankar	
Mr. Christian Oecking (Retired on June 25, 2019)	
Mr. Basab Pradhan (Retired on June 8, 2019)	

Notes:

1. Subsidiary of Hexaware Technologies UK Ltd.
2. Subsidiary of Hexaware Technologies Inc., closed on September 27, 2018.
3. Acquired on 13th June 2019, Subsidiary of Hexaware Technologies Inc.
4. Subsidiary of Mobiquity Inc.
5. Subsidiary of Mobiquity Velocity Cooperative UA
6. Acquired on 13th June 2019, Subsidiary of Hexaware Technologies Limied
7. Formed on June 7, 2019 as subsidiary of Hexaware Technologies Inc and merged with Mobiquity Inc, on June 13, 2019
8. Formed on November 25, 2019, subsdiary of Hexaware Technologies UK Ltd.
9. Associate of Hexaware Technologies Asia Pacific Pte Ltd .

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, 2019	Year ended December 31, 2018
Investment made	**Subsidiaries**		
	Mobiquity Softech Private Limited	401.17	-
	Hexaware Information Technologies (Shanghai) Company Limited	-	3.71
		401.17	**3.71**
Impairment in value of Investment	**Subsidiaries**		
	Hexaware Technologies LLC - Russia	-	121.65
	Guangzhou Hexaware Information Technologies Company Limited	-	11.14
		-	**132.79**
Corporate Guarantee Given	**Subsidiaries**		
	Hexaware Technologies Inc.	7,923.74	-
		7,923.74	**-**
Software and consultancy income	**Subsidiaries**		
	Hexaware Technologies Inc.	9,977.00	9,260.53
	Hexaware Technologies UK Ltd.	1,920.59	1,579.02
	Others	650.41	588.90
		12,548.00	**11,428.45**
	Associate		
	Experis Technology Solutions Pte Ltd	167.24	133.24
		167.24	**133.24**
Software and development expenses - subcontracting charges	**Subsidiaries**		
	Hexaware Technologies Inc.	154.92	71.02
	Others	1.13	3.27
		156.05	**74.29**
Reimbursement of cost to	**Subsidiaries**		
	Hexaware Technologies UK Ltd.	25.58	15.84
	Hexaware Technologies Inc.	12.77	27.86
	Hexaware Technologies, Mexico S. De. R.L. De.	6.69	-
	Others	0.90	-
		45.94	**43.70**
Recovery of cost from	**Subsidiaries**		
	Hexaware Technologies Inc. ((including recovery of ESOP cost Rs. 165.91 Million (previous year Rs 128.17 Million)	362.69	563.16
	Hexaware Technologies UK Ltd.	341.76	297.89
	Others	149.03	53.60
		853.48	**914.65**
Corporate Gurantee Charges	**Subsidiaries**		
	Hexaware Technologies Inc.	10.19	-
		10.19	**-**
Remuneration to KMP and Directors			
	Short term employee benefits	5.03	4.61
	Post employee benefits	0.13	0.11
	Share based payment	52.33	51.90
	Commission and other benefits to non-executive directors	33.20	43.16
		90.69	**99.78**

Outstanding Balances

Rupees Million

Name of the Related party and Relationship	As on December 31, 2019	As on December 31, 2018
Subsidiaries		
Investment in equity (Including share application money) (Refer note no 6A & 6B)	2,295.91	1,894.74
Trade and other receivable		
- Hexaware Technologies Inc	5,137.53	4,574.06
- Hexaware Technologies UK Ltd	900.60	542.92
- Others	101.64	93.75
	6,139.77	**5,210.73**
Trade payable - towards services and reimbursement of cost		
- Hexaware Technologies Inc	103.78	21.41
- Hexaware Technologies UK Ltd	22.59	7.93
- Others	9.53	3.16
	135.90	**32.50**
Corporate Guarantee		
- Hexaware Technologies Inc	7,923.74	-
	7,923.74	**-**
(Corporate Guarantee given towards loan taken from bank for the term of 3 years and in respect of deferred purchase consideration for the acquisition of Mobiquity Inc. for the term of 2 years.)		
Trade receivable from Associate	57.67	49.83
Payable to / Provision for KMP's and Directors	16.52	40.87

26 The Company takes on lease office space and accommodation for its employees under various operating leases. The lease term ranges between 1 year to 9 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. 284.18 million (Previous year Rs 235.80 million)

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

(Rupees Million)

Particulars	**December 31, 2019**	**December 31, 2018**
Not later than one year	343.02	198.79
Later than one year and not later than five years	1,060.41	461.43
Laer than 5 years	360.61	790.21
Total	**1,764.04**	**1,450.43**

27 Employee share based compensation

27.1 The Nomination and Remuneration Committee ('Committee') of the Company administers the stock options plans viz. ESOP 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 modified the vesting period. The modification did not have material impact. The Options / RSU's vest over a period of 1 to 6 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.

27.2 **The particulars of number of options/RSU's granted and lapsed under the aforementioned:**

	ESOP - 2007		ESOP - 2008		ESOP - 2015		Total	
	Options (nos.)	Weighted avg. ex. price per option (Rs)	RSU's (nos.)	Weighted avg. ex. price per option (Rs)	RSU's (nos.)	Weighted avg. ex. price per option (Rs)	Options/RSU's (nos.)	Weighted avg. ex. price per option (Rs)
Outstanding as at the beginning of the year	-	-	25,04,955	2.00	61,82,369	2.00	86,87,324	2.00
	(1,79,250)	-66.07	(29,04,239)	-2.00	(65,83,746)	-2.00	(96,67,235)	-3.19
Granted during the year	-	-	-	-	18,27,746	2.00	18,27,746	2.00
	-	-	-	-	(6,13,725)	-2.00	(6,13,725)	-2.00
Exercised during the year	-	-	1,89,450	2.00	8,33,882	2.00	10,23,332	2.00
	(51,000)	-67.07	(2,31,214)	-2.00	(2,75,018)	-2.00	(5,57,232)	-7.96
Lapsed during the year	-	-	4,69,789	2.00	11,97,510	2.00	16,67,299	2.00
	(1,28,250)	-65.67	(1,86,670)	-2.00	(7,21,484)	-2.00	(10,36,404)	-9.88
Outstanding as at the end of the year	-	-	18,45,716	2.00	59,78,723	2.00	78,24,439	2.00
	-	-	(24,86,355)	-2.00	(62,00,969)	-2.00	(86,87,324)	-2.00
Exercisable as at the end of the year	-	-	1,61,820	2.00	6,68,482	2.00	8,30,302	2.00
	-	-	(51,150)	-2.00	(5,03,191)	-2.00	(5,54,341)	-2.00

** Previous year figures are gven in brackets*

The weighted average share price of options exercised on the date of exercise was Rs. 349.68 per share and Rs. 428.89 per share for the year ended December 31, 2019 and December 31, 2018 respectively.

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

Range of exercise price	December 31, 2019		December 31, 2018	
	Options/ RSU's (Nos)	**Life**	**Options/ RSU's (Nos)**	**Life**
2	78,24,439	32	86,87,324	30
Total	**78,24,439**		**86,87,324**	

27.4 The fair values of the RSU's granted in year 2019 and 2018 are determined using Black Scholes Option pricing model using following assumptions:

Particulars	**2019**	**2018**
Weighted Average fair value (Rs.)	343.93	413.44
Weighted Average share price (Rs.)	369.20	448.57
Dividend Yield (%)	2.16-2.48	1.59 - 2.25
Expected Life (years)	1.39-5.85	2.50-5.85
Risk free interest rate (%)	5.97-7.22	7.09- 8.28
Volatility (%)	35.24-41.16	33.60- 38.00

The expected volatility is determined based on historical volatility during a period equivalent to the expected term of RSU granted.

28 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 Provided 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,amount of Rs 109.80 million has been recognised as actuarial loss for the year ended Dec. 31, 2019

(Rupees Million)

Particulars	December 31, 2019	31-Dec-18
Present value of benefit obligation	4,234.02	3,447.03
Fair value of plan assets	4,124.22	3,447.03
Expected Investment Return	8.47%	8.43%
Remaining term of maturities of plan assets	6.19 Years	5.95 years
Expected guaranteed interest rates	8.65%	8.55%

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. 497.66 million (Previous year Rs 389.15 million) and Rs 17 million (Previous year Rs 14.15 million), respectively.

28 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	2019	2018
Change in Defined Benefit Obligation		
Opening defined benefit obligation	**717.73**	**659.05**
Current service cost	142.23	140.56
Interest cost	47.63	46.76
Adjustment for remeasurement of defined benefit plan		
- Actuarial loss/(gains) arising from change in financial assumptions	35.46	15.25
- Actuarial loss/(gains) arising from change in demographical assumptions	3.22	(53.77)
- Actuarial loss/(gains) arising on account of experience changes	62.08	(16.72)
Benefits paid	(65.97)	(73.40)
Closing defined benefit obligation	***942.37***	***717.73***
Change in the Fair Value of Assets		
Opening fair value of plan assets	***563.90***	***549.78***
Interest on plan assets	40.10	42.34
Remeasurement due to actual return on plan assets less interest on plan assets	28.59	(13.79)
Contribution by employer	32.42	58.97
Benefits paid	(65.97)	(73.40)
Closing fair value of plan assets	***599.04***	***563.90***
Net liability as per actuarial valuation	***343.33***	***153.83***
Expense charged to statement of profit and loss:		
Current service cost	142.23	140.56
Net Interest on defined benefit plan	7.53	4.41
Total Included in Employment expenses	***149.76***	***144.97***
Amount recognised in other comprehensive income:		
Remeasurement of defined benefit plan due to -		
- changes in financial assumptions	35.46	15.25
- changes in demographical assumptions	3.22	(53.77)
- Experience adjustments	62.08	(16.72)
- Actual return on plan assets less interest on plan assets	-28.59	13.79
Total amount recognised in other comprehensive income	***72.17***	***(41.45)***
Actual return on plan assets	**68.69**	**28.55**
Category of assets - Insurer Managed Fund #	**599.04**	**563.90**

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, 2019

Financial assumptions at the valuation date	Year 2019	Year 2018
Discount rate	6.60%	7.25%
Rate of increase in compensation levels of covered employees *	7.5% to 10%	7.5% to 10%
Rate of Return on Plan assets	7.25%	7.25%

* 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, 2019	
	Discount Rate	Salary Escalation Rate
Increase in 50 bps	-2.92%	3.03%
Decrease in 50 bps	3.08%	-2.90%

Impact on defined benefit obligation	December 31, 2018	
	Discount Rate	Salary Escalation Rate
Increase in 50 bps	-2.70%	2.82%
Decrease in 50 bps	2.84%	-2.71%

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	138.43
Year 2	126.15
Year 3	119.42
Year 4	115.17
Year 5	106.96
Year 6	94.54
Year 7	95.69
Year 8	83.56
Year 8	83.11
Thereafter	542.07

The weighted average duration to the payment of these cash flows is 5.99 years.

29 Segments

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

30 Corporate Social Responsibility

a) Gross Amount required to be spent by the Company during the year is Rs. 99.63 million (Previous year Rs. 89.56 million)
b) Amount spent during the year on :

(Rupees Million)

Sr.No.	**Particulars**	**Amount Paid**	**Amount yet to be paid**	**Total**
1	Construction/ acquisition of any asset	-	-	-
		(-)	(-)	(-)
2	On purpose other than (1) above	99.64	-	99.64
		-90.46	(-)	-90.46

Previous years figures are given in bracket

31 Contingent liabilities and commitments

31.1 **Contingent liabilities**

Claims not acknowledged as debt Rs. 28.14 million (Rs 28.14 million as at December 31, 2018), 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.

31.2 **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, 2018) 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.

31.3 Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances) Rs. 171.51 million (Rs. 390.50 million as at December 31, 2018). For lease contract related commitment refer note 26

32 Disclosure pursuant to amount due to Micro, Small and Medium enterprise is as under:

(Rupees Million)

Particulars	As at December 31, 2019	As at December 31, 2018
Amount due to vendor	13.34	2.08
Principal amount paid (includes unpaid beyond the appointed date)	-	
Interest due and paid /payable for the year	-	-
Interest accrued and remaining unpaid	-	-

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 The Company has a process whereby periodically all long term contracts (including derivative contracts) are assessed for material foreseeable losses. At the year end, the Company has reviewed and ensured that adequate provision as required under any law / accounting standards for material foreseeable losses on such long term contracts (including derivative contracts) has been made in the books of accounts.

34 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 11, 2020 has declared interim dividend of Rs 2.50/- per equity share (125%). This would result in cash outflow of Rs. 745.96 Million Excluding corporate dividend tax. Corporate dividend tax would be as applicable at the time of payment, will be paid out.

35 Approval of financial statements

The financial statements were approved for issue by the Board of Directors on February 11, 2020.

For B S R & Co. LLP
Firm's Registration No: 101248W/W-100022
Chartered Accountants

For and on behalf of the Board of Directors
(CIN : L72900MH1992PLC069662)

Rajesh Mehra
(Partner)
Membership No : 103145

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

Meera Shankar
(Director)
(DIN-06374957)

Mumbai, dated February 11th, 2020