

Independent Auditor's Report

To the Board of Directors of Hexaware Technologies Limited

Report on the Condensed Standalone Interim Ind AS Financial Statements

We have audited the accompanying condensed standalone interim Ind AS financial statements of Hexaware Technologies Limited ('the Company'), which comprise the Condensed Balance Sheet as at 30 September 2018, the Condensed Statement of Profit and Loss, the Condensed Statement of Cash Flows and the Condensed Statement of Changes in Equity for the quarter and nine months period then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as 'the condensed standalone interim financial statements').

Management's responsibility for the condensed standalone interim financial statements

The Company's Board of Directors is responsible for the preparation of these condensed standalone interim financial statements that give a true and fair view of the state of affairs, profit (including other comprehensive income), cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standard (Ind AS) 34 - Interim Financial Reporting, prescribed under Section 133 of the Companies Act, 2013 ('the Act').

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the 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 interim financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these condensed standalone interim financial statements based on our audit.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the condensed standalone interim financial statements are free from material misstatement.

Independent Auditor's Report (Continued)

Hexaware Technologies Limited

Auditor's responsibility (Continued)

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the condensed standalone interim financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the condensed standalone interim financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the condensed standalone interim financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Board of Directors, as well as evaluating the overall presentation of the condensed standalone interim financial statements.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the condensed standalone interim financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid condensed standalone interim financial statements give a true and fair view in conformity with the accounting principles generally accepted in India including Ind AS 34 – Interim Financial Reporting, of the state of affairs of the Company as at 30 September 2018, profit (including other comprehensive income), cash flows and changes in equity for the quarter and nine months period then ended.

Other matters

The comparative financial information of the Company for the quarter and nine months period ended 30 September 2017 and as at 31 December 2017 were audited by predecessor auditors who expressed an unmodified opinion dated 1 November 2017 and 7 February 2018 respectively on the condensed standalone interim financial statements for the quarter and nine months period ended 30 September 2017 and annual standalone financial statements for the year ended 31 December 2017.

Our opinion is not modified in respect of these matters.

For **BSR & Co. LLP**

Chartered Accountants

Firm's Registration No: 101248W/W-100022

Mumbai
24 October 2018

Akeel Master
Partner
Membership No: 046768

HEXAWARE TECHNOLOGIES LIMITED
CONDENSED INTERIM BALANCE SHEET

(Rupees Million)

	Notes	As at	As at
		September 30, 2018	December 31, 2017
ASSETS			
Non-current assets			
Property, plant and equipment	3	3,504.50	3,413.61
Capital work-in-progress		2,442.88	2,571.66
Other intangible assets	4	100.61	82.08
Financial assets			
Investments	5A	1,895.61	2,028.40
Other financial assets	7A	235.48	352.52
Deferred tax assets (net)	6	1,466.08	1,027.02
Income tax asset (net)		367.01	356.43
Other non-current assets	8A	713.46	615.41
Total non-current assets		10,725.63	10,447.13
Current assets			
Financial assets			
Investments	5B	229.59	189.19
Trade receivables	9	5,907.83	4,142.29
Cash and cash equivalents	10A	1,204.99	882.53
Other bank balances	10B	153.98	150.26
Unbilled revenue		427.57	329.92
Other financial assets	7B	498.39	961.07
Other current assets	8B	204.51	316.00
Total current assets		8,626.86	6,971.26
Total assets		19,352.49	17,418.39
EQUITY AND LIABILITIES			
Equity			
Equity share capital	11	593.71	593.61
Other equity		15,982.28	14,823.34
Total equity		16,575.99	15,416.95
Non-current liabilities			
Financial liabilities			
Other financial liabilities	12A	324.56	5.61
Provisions - Employee benefit obligations towards gratuity		172.65	170.67
Total non-current liabilities		497.21	176.28
Current liabilities			
Financial liabilities			
Trade and other payables	13	629.17	820.90
Other financial liabilities	12B	1,015.35	617.64
Other current liabilities	14	184.93	149.76
Provisions			
Employee benefit obligations towards compensated absences and others		229.43	210.69
Others	15	3.10	5.82
Current tax liabilities (net)		217.31	20.35
Total current liabilities		2,279.29	1,825.16
Total liabilities		2,776.50	2,001.44
Total equity and liabilities		19,352.49	17,418.39

The accompanying notes 1 to 26 form an integral part of the condensed interim financial statements

As per our report of even date

For B S R & Co. LLP

Chartered Accountants

Firm's Registration No: 101248W/W-100022

For and on behalf of the Board of Directors

Akeel Master

(Partner)

Membership No : 046768

Mumbai, dated October 24, 2018

R. Srikrishna

(CEO and Executive
Director)

Dileep Choksi

(Director)

HEXAWARE TECHNOLOGIES LIMITED
CONDENSED INTERIM STATEMENT OF PROFIT AND LOSS

(Rupees Million)

	Notes	For quarter ended		For nine months ended	
		September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
INCOME					
Revenue from operations		4,731.38	4,051.07	12,961.82	11,522.26
Exchange rate difference (net)		256.65	191.59	755.08	416.54
Other Income	16	6.32	9.60	21.04	26.78
Total income		4,994.35	4,252.26	13,737.94	11,965.58
EXPENSES					
Software and development expenses	17	116.45	155.81	416.17	409.30
Employee benefits expense	18	2,423.51	2,008.67	6,919.20	5,772.66
Operation and other expenses	19	612.63	579.79	1,774.90	1,561.06
Interest - others		0.05	0.04	0.09	0.57
Depreciation and amortisation expense	3, 4	126.71	125.64	368.37	367.64
Total expenses		3,279.35	2,869.95	9,478.73	8,111.23
Profit before tax		1,715.00	1,382.31	4,259.21	3,854.35
Tax expense					
Current		406.20	321.15	967.19	872.34
Deferred (credit)		(102.36)	(90.33)	(185.72)	(144.54)
		303.84	230.82	781.47	727.80
Profit for the period		1,411.16	1,151.49	3,477.74	3,126.55
Other comprehensive income					
i) Items that will not be reclassified to profit or loss					
Remeasurement of defined benefit plan		(17.97)	9.69	50.69	78.22
Income tax relating to items that will not be reclassified to profit or loss		2.99	(1.58)	(9.96)	(14.81)
ii) Items that will be reclassified to profit or loss					
Net change in fair value of cash flow hedges		(545.16)	(168.38)	(1,288.79)	144.39
Income tax relating to items that will be reclassified to profit or loss		105.45	34.95	253.35	(12.36)
Total other comprehensive income		(454.69)	(125.32)	(994.71)	195.44
Total comprehensive income for the period		956.47	1,026.17	2,483.03	3,321.99
Earnings per share (in Rupees)					
	21				
Basic		4.75	3.88	11.72	10.50
Diluted		4.67	3.83	11.52	10.37

The accompanying notes 1 to 26 form an integral part of the condensed interim financial statements

As per our report of even date

For B S R & Co. LLP

Chartered Accountants

Firm's Registration No: 101248W/W-100022

For and on behalf of the Board of Directors

Akeel Master

(Partner)

Membership No : 046768

Mumbai, dated October 24, 2018

R. Srikrishna

Executive
Director)

Dileep Choksi

(Director)

HEXAWARE TECHNOLOGIES LIMITED
CONDENSED STATEMENT OF CHANGES IN EQUITY

A. Equity Share Capital

(Rupees Million)

	<u>As at</u> <u>September</u> <u>30, 2018</u>	<u>As at</u> <u>September</u> <u>30, 2017</u>
Outstanding at the beginning of the period	593.61	604.06
Issued during the period	0.10	0.79
Bought back during the period	-	(11.39)
Outstanding at the end of the period (Refer note no.11)	593.71	593.46

B. Other Equity

(Rupees Million)

	<u>Reserves and Surplus</u>							<u>Other comprehensive income</u>		<u>Total</u>
	<u>Share application money pending allotment</u>	<u>Securities Premium Reserve</u>	<u>Amalgamation Reserve</u>	<u>Special Economic Zone Re-investment Reserve</u>	<u>Share options outstanding account</u>	<u>Capital Redemption Reserve</u>	<u>General reserve</u>	<u>Retained Earnings</u>	<u>Cashflow Hedge Reserve (CFHR)</u>	
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 period	-	-	-	-	-	-	-	3,477.74	-	3,477.74
Other comprehensive income	-	-	-	-	-	-	-	40.73	(1,035.44)	(994.71)
Total comprehensive income for the period	-	-	-	-	-	-	-	3,518.47	(1,035.44)	2,483.03
Cash dividend paid (including dividend tax)	-	-	-	-	-	-	-	(1,609.82)	-	(1,609.82)
Shares Issued on exercise of options	-	3.32	-	-	-	-	-	-	-	3.32
Transfer to special economic zone reserve, net	-	-	-	254.16	-	-	-	(254.16)	-	-
Received / transferred on exercise of stock options	(0.60)	0.09	-	-	(0.09)	-	-	-	-	(0.60)
Compensation related to employee share based payments	-	-	-	-	283.01	-	-	-	-	283.01
As at September 30, 2018	0.01	3,521.35	4.38	278.24	1,015.36	11.39	2,117.71	9,603.45	(569.61)	15,982.28
Balances as at January 1, 2017	-	4,808.73	4.38	332.95	448.07	-	2,117.71	4,886.20	240.78	12,838.82
Profit for the period	-	-	-	-	-	-	-	3,126.55	-	3,126.55
Other comprehensive income	-	-	-	-	-	-	-	63.41	132.03	195.44
Total comprehensive income for the period	-	-	-	-	-	-	-	3,189.96	132.03	3,321.99
Cash dividend paid (including dividend tax)	-	-	-	-	-	-	-	(1,070.87)	-	(1,070.87)
Buy-back of shares	-	(1,366.76)	-	-	-	11.39	-	(12.15)	-	(1,367.52)
Shares Issued on exercise of Options	-	9.20	-	-	-	-	-	-	-	9.20
Transfer to special economic zone reserve, net	-	-	-	67.51	-	-	-	(67.51)	-	-
Received / transferred on exercise of stock options	-	54.89	-	-	(54.89)	-	-	-	-	-
Compensation related to employee share based payments	-	-	-	-	257.13	-	-	-	-	257.13
As at September 30, 2017	-	3,506.06	4.38	400.46	650.31	11.39	2,117.71	6,925.63	372.81	13,988.75

The accompanying notes 1 to 26 form an integral part of the condensed interim financial statements

As per our report of even date

For B S R & Co. LLP

Chartered Accountants

Firm's Registration No: 101248W/W-100022

For and on behalf of the Board of Directors

Akeel Master

(Partner)

Membership No : 046768

Mumbai, dated October 24, 2018

R. Srikrishna

(CEO and Executive Director)

Dileep Choksi

(Director)

HEXAWARE TECHNOLOGIES LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT

(Rupees Million)

For nine months ended

September 30, 2018 September 30, 2017

Cash Flow from operating activities

Net Profit before tax	4,259.21	3,854.35
Adjustments for:		
Depreciation and amortization expense	368.37	367.64
Employee stock option compensation cost	154.16	257.13
Interest income	(6.44)	(7.08)
Provision for doubtful accounts (net of writeback)	30.38	1.94
Debts and advances written off	5.47	-
Dividend from current investments	(8.20)	(6.95)
Profit on sale of property, plant and equipments (PPE) and intangible assets (net)	(0.21)	(1.93)
Provision for impairment in the value of investment	132.79	-
Exchange rate difference (net) - unrealised	(4.06)	12.66
Interest expense	0.09	0.57
Operating profit before working capital changes	4,931.56	4,478.33

Adjustments for:

Trade receivables and other assets	(1,693.51)	(1,241.47)
Trade payables and other liabilities	(108.54)	(515.06)

Cash generated from operations

Direct taxes paid (net)	(790.76)	(838.00)
Net cash from operating activities	2,338.75	1,883.80

Cash flow from investing activities

Purchase of PPE, Intangible assets and CWIP including advances	(388.23)	(779.80)
Interest received	6.80	7.39
Purchase of current investments	(3,130.93)	(3,381.95)
Proceeds from sale/ redemption of current Investments	3,090.55	3,392.15
Investment in subsidiaries	-	(19.74)
Dividend from current investments	8.20	6.95
Proceeds from sale of PPE	0.36	1.95
Net cash used in investing activities	(413.25)	(773.05)

Cash flow from financing activities

Proceeds from issue of shares / share application money (net)	2.82	9.99
Buy-back of shares (including expenses incurred on buy-back)	-	(1,378.91)
Interest paid	(0.09)	(0.57)
Dividend paid (including corporate dividend tax)	(1,609.82)	(1,070.87)
Net cash used in financing activities	(1,607.09)	(2,440.36)

Net increase / (decrease) in cash and cash equivalents	318.41	(1,329.61)
Cash and cash equivalents at the beginning of the period	882.53	2,065.54
Impact of common control merger transaction	-	0.26
Unrealised gain on foreign currency cash & cash equivalents	4.05	(12.66)
Cash and cash equivalents at the end of the period (Refer note 10A)	1,204.99	723.53

The accompanying notes 1 to 26 form an integral part of the condensed interim financial statements

As per our report of even date

For B S R & Co. LLP

Chartered Accountants

Firm's Registration No: 101248W/W-100022

For and on behalf of the Board of Directors

Akeel Master
(Partner)

Membership No : 046768

Mumbai, dated October 24, 2018

R. Srikrishna
(CEO and Executive
Director)

Dileep Choksi
(Director)

HEXAWARE TECHNOLOGIES LIMITED

NOTES TO THE CONDENSED INTERIM 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

The condensed interim financial statements have been prepared in accordance with generally accepted accounting principles in India including Ind AS 34 Interim Financial Reporting and using the same accounting policies as followed in the audited financial statements for the year ended on December 31, 2017. These do not include all of the information required in annual financial statements and should be read in conjunction with the Company's financial statements for the year ended December 31, 2017.

2.1 Recent accounting pronouncements

Ind AS 115 'Revenue from the contracts with customer' replaces the current revenue recognition standard Ind AS Revenue and Ind AS 11 Construction Contracts. This standard provides a single principle based five step model to be applied to all contracts with customers. Guidance is provided on topics such as the point at which revenue is recognised , accounting for variable consideration , cost to fulfill a contract and obtaining a contract and various other related matters.

The standard is applicable to the Company with effect from January 1, 2019 to be applied retrospectively in accordance with the transition guidance . The Company is evaluating the impact of its adoption on its financial statements.

HEXAWARE TECHNOLOGIES LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

3 Property, Plant and Equipment (PPE)

(Rupees Million)

PPE consist of the following :

	<u>Freehold Land</u>	<u>Buildings</u>	<u>Plant and Machinery</u>	<u>Furniture and Fixtures</u>	<u>Vehicles</u>	<u>Office Equipments</u>	<u>Leasehold Improvements</u>	<u>Total</u>
<u>COST</u>								
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	-	196.17	146.50	46.01	-	26.01	-	414.69
(Disposals) / Adjustments	-	-	(8.00)	-	(0.92)	(0.16)	-	(9.08)
At September 30, 2018	<u>0.15</u>	<u>2,930.66</u>	<u>2,016.58</u>	<u>670.84</u>	<u>16.93</u>	<u>1,211.06</u>	<u>4.97</u>	<u>6,851.19</u>
<u>ACCUMULATED DEPRECIATION</u>								
At January 1, 2018	-	310.99	1,447.48	453.98	10.30	804.30	4.92	3,031.97
Charge for the period	-	39.77	166.04	32.76	1.99	83.06	0.03	323.65
Disposals	-	-	(7.85)	-	(0.92)	(0.16)	-	(8.93)
At September 30, 2018	<u>0.00</u>	<u>350.76</u>	<u>1,605.67</u>	<u>486.74</u>	<u>11.37</u>	<u>887.20</u>	<u>4.95</u>	<u>3,346.69</u>
<u>NET CARRYING AMOUNT</u>								
At September 30, 2018	<u>0.15</u>	<u>2,579.90</u>	<u>410.91</u>	<u>184.10</u>	<u>5.56</u>	<u>323.86</u>	<u>0.02</u>	<u>3,504.50</u>
<u>COST</u>								
At January 1, 2017	0.15	2,251.90	1,670.82	513.13	22.91	815.53	4.97	5,279.41
Additions	-	482.59	283.77	112.09	4.96	372.34	-	1,255.75
Disposals	-	-	(76.51)	(0.39)	(10.02)	(2.66)	-	(89.58)
At December 31, 2017	<u>0.15</u>	<u>2,734.49</u>	<u>1,878.08</u>	<u>624.83</u>	<u>17.85</u>	<u>1,185.21</u>	<u>4.97</u>	<u>6,445.58</u>
<u>ACCUMULATED DEPRECIATION</u>								
At January 1, 2017	-	264.26	1,316.97	414.43	18.57	681.70	4.09	2,700.02
Charge for the year	-	46.73	206.98	39.94	1.75	125.23	0.83	421.46
Disposals	-	-	(76.47)	(0.39)	(10.02)	(2.63)	-	(89.51)
At December 31, 2017	<u>-</u>	<u>310.99</u>	<u>1,447.48</u>	<u>453.98</u>	<u>10.30</u>	<u>804.30</u>	<u>4.92</u>	<u>3,031.97</u>
<u>NET CARRYING AMOUNT</u>								
At December 31, 2017	<u>0.15</u>	<u>2,423.50</u>	<u>430.60</u>	<u>170.85</u>	<u>7.55</u>	<u>380.91</u>	<u>0.05</u>	<u>3,413.61</u>

Note:

- Plant and machinery includes computer systems.
- Buildings includes office premises taken on long term finance lease of gross value amounting to Rs. 345.47 million as at September. 30, 2018 and December 31, 2017 and net carrying value amounting to Rs. 258.61 million and Rs. 261.81 million as at September 30, 2018 and December 31, 2017 respectively.

HEXAWARE TECHNOLOGIES LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

		(Rupees Million)
4	Intangible assets	
	Intangible assets consist of the following :	
		Software Licenses
		<hr/>
	<u>COST</u>	
	At January 1, 2018	511.44
	Additions	63.23
	At September 30, 2018	<hr/> <hr/> 574.67
	<u>ACCUMULATED AMORTISATION</u>	
	At January 1, 2018	429.36
	Amortisation for the period	44.70
	At September 30, 2018	<hr/> <hr/> 474.06
	<u>NET CARRYING AMOUNT</u>	
	At September 30, 2018	<hr/> <hr/> 100.61
	<u>COST</u>	
	At January 1, 2017	458.32
	Additions	53.12
	At December 31, 2017	<hr/> <hr/> 511.44
	<u>ACCUMULATED AMORTISATION</u>	
	At January 1, 2017	357.46
	Amortisation for the year	71.90
	At December 31, 2017	<hr/> <hr/> 429.36
	<u>NET CARRYING AMOUNT</u>	
	At December 31, 2017	<hr/> <hr/> 82.08

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

HEXAWARE TECHNOLOGIES LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

		(Rupees Million)	
		As at	As at
		<u>September 30, 2018</u>	<u>December 31, 2017</u>
5 Investments			
A Non current investments in equity shares (unquoted)			
	<u>Investments in equity instruments of subsidiaries (at cost)</u>		
	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⁾	(31.65)	13.14
	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, Hongkong.	16.13	16.13
	500 shares of SEK 100/- each in Hexaware Technologies Nordic AB, Sweden.	0.40	0.40
	Entire Share Capital in Hexaware Technologies Limited Liability Company, Russia ⁽²⁾	60.60	148.60
		<u>1,891.03</u>	<u>2,023.82</u>
	<u>Other Investments</u>		
	<u>At fair value through other comprehensive income</u>		
	240,958 equity shares of Rs. 10/- each in Beta Wind Farm Pvt. Ltd.	4.58	4.58
		<u>1,895.61</u>	<u>2,028.40</u>
Notes:			
1 Net of provision for impairment in the value of investment of Rs.11.14 million (December 31, 2017 Rs. Nil)			
2 Net of provision for impairment in the value of investment of Rs.121.65 million (December 31, 2017 Rs. Nil)			
B Current investments in mutual funds (unquoted)			
	<u>At fair value through profit and loss account</u>		
	Mutual fund units	<u>229.59</u>	<u>189.19</u>

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

(Rupees Million)

6 Components of deferred taxes:	<u>September 30, 2018</u>	<u>December 31, 2017</u>
Deferred tax assets		
Allowance for doubtful debts and advances	32.78	19.63
Employee benefit obligations	95.31	92.66
Provision for severance pay	1.09	2.02
Minimum alternate tax credit carry forward	1,403.26	1,233.77
Unrealised loss on cash flow hedges	136.76	-
Total	1,669.20	1,348.08
Deferred tax liabilities		
Unrealised gain on cash flow hedges	-	116.60
Depreciation	203.12	204.46
Total	203.12	321.06
Net deferred tax asset	1,466.08	1,027.02

HEXAWARE TECHNOLOGIES LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

	(Rupees Million)	
	As at	As at
	September 30, 2018	December 31, 2017
7 Other financial assets (unsecured) (considered good)		
A Non-current		
Interest accrued on bank deposits	0.74	0.60
Foreign currency derivative assets	0.68	136.10
Restricted bank balances (a)	5.79	7.35
Security deposits for premises and others	228.27	208.47
	<u>235.48</u>	<u>352.52</u>
(a) Restriction on account of bank deposits held as margin money.		
B Current		
Interest accrued on bank deposits	0.56	1.06
Foreign currency derivative assets	14.94	586.24
Security deposits for premises and others @	2.31	4.13
Other receivables from related parties	264.20	187.56
Employee advances	216.38	182.08
	<u>498.39</u>	<u>961.07</u>
@ Exclude deposits aggregating Rs. 34.56 million provided as doubtful of recovery basis the expected credit loss model.		
8 Other assets (unsecured)		
A Non-current		
Capital advances	7.29	1.37
Prepaid expenses relating to leasehold land *	531.89	525.03
Other prepaid expenses	63.23	7.91
Indirect taxes recoverable	111.05	81.10
	<u>713.46</u>	<u>615.41</u>
* includes unamortised lease premium in respect of one parcel of leasehold land allotted to the company at Nagpur for which final lease agreement is being executed amounting to Rs. 80.09 million and Rs. 80.78 million as at September 30, 2018 and December 31, 2017 respectively.		
B Current		
Prepaid expenses	150.41	173.18
Indirect taxes recoverable	51.90	140.29
Others	2.20	2.53
	<u>204.51</u>	<u>316.00</u>
9 Trade Receivables (unsecured)		
Considered good	5,907.83	4,142.29
Considered doubtful	63.63	29.05
Less: Allowance for doubtful receivables	(63.63)	(29.05)
	<u>5,907.83</u>	<u>4,142.29</u>
10 Cash and bank balances		
A Cash and cash equivalents		
Remittance in transit	0.74	-
In current accounts with banks	1,128.19	844.82
Bank deposit accounts with less than 3 months maturity	76.06	37.71
Unclaimed dividend accounts	153.98	150.26
Margin money with banks	5.79	7.35
	<u>1,364.76</u>	<u>1,040.14</u>
Less: Restricted bank balances	(159.77)	(157.61)
	<u>1,204.99</u>	<u>882.53</u>
B Other bank balances		
Restricted bank balances in respect of unclaimed dividend accounts.	153.98	150.26
	<u>153.98</u>	<u>150.26</u>

HEXAWARE TECHNOLOGIES LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Rupees Million)

11 Equity Share Capital

11.1 <u>Authorised capital</u>	<u>As at</u>	<u>As at</u>
	<u>September 30, 2018</u>	<u>December 31, 2017</u>
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
11.2 <u>Issued, subscribed and paid-up capital</u>		
Equity shares of Rs. 2 each	593.71	593.61
11.3 <u>Reconciliation of number of shares</u>		
Shares outstanding at the beginning of the period / year	296,803,757	302,028,195
Shares issued during the period / year	51,372	470,397
Shares bought back during the period / year	-	(5,694,835)
Shares outstanding at the end of the period / year	296,855,129	296,803,757

11.4 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.

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

Name of Shareholder

HT Global IT Solutions Holdings Ltd. (Holding Company)	No. of shares held	186,318,590	211,318,590
	% of holding	62.76%	71.20%
HDFC Trustee Company Limited	No. of shares held	17,724,279	18,885,481
	% of holding	5.97%	6.36%

11.6 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.

11.7 Shares reserved for issue under options

The Company has granted employee stock options under ESOP 2002, 2007 and 2008 schemes and restricted stock units (RSU's) under the ESOP 2008 and 2015 scheme. Each option / RSU entitles the holder to one equity share of Rs. 2 each. 9,495,438 options / RSU's were outstanding as on September 30, 2018 (9,667,235 options as on December 31, 2017).

11.8 The dividend per share recognised as distribution to equity shareholders during the period ended September 30, 2018 was Rs.4.50 per share (year ended December 31, 2017 Rs.4.00 per share and period ended September 30, 2017 Rs.3.00 per share).

HEXAWARE TECHNOLOGIES LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Rupees Million)

	<u>As at</u>	<u>As at</u>
	<u>September 30, 2018</u>	<u>December 31, 2017</u>
12 Other financial liabilities		
A Non-current		
Foreign currency derivative liabilities	321.98	3.40
Accrued expenses	2.58	2.21
	<u>324.56</u>	<u>5.61</u>
B Current		
Unclaimed dividend	153.98	150.26
Capital creditors	87.31	120.48
Deposit received from customer	0.03	0.03
Employee liabilities	321.34	342.38
Foreign currency derivative liabilities	452.69	4.49
	<u>1,015.35</u>	<u>617.64</u>
13 Trade and other payables		
Trade payables	324.03	493.36
Accrued expenses	305.14	327.54
	<u>629.17</u>	<u>820.90</u>
14 Other liabilities		
Current		
Unearned revenues	2.78	5.49
Statutory liabilities	182.15	144.27
	<u>184.93</u>	<u>149.76</u>
15 Provisions - Others		
Provision at the beginning of the year	5.82	86.67
Paid during the year	-	(51.37)
Adjusted during the year	(2.72)	(29.48)
Provision at the end of the year	<u>3.10</u>	<u>5.82</u>

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

HEXAWARE TECHNOLOGIES LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Rupees Million)

16 Other income

	For quarter ended		For nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Dividend	3.18	1.62	8.20	6.95
Interest income	2.55	2.62	6.44	7.08
Profit on sale of PPE (net)	0.14	0.07	0.21	1.93
Miscellaneous income	0.45	5.29	6.19	10.82
	<u>6.32</u>	<u>9.60</u>	<u>21.04</u>	<u>26.78</u>

17 Software and development expenses

Consultant travel and related expenses	53.95	66.74	188.77	166.71
Software expenses *	62.50	89.07	227.40	242.59
	<u>116.45</u>	<u>155.81</u>	<u>416.17</u>	<u>409.30</u>

* includes sub- contracting charges

	56.90	81.82	205.67	222.08
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18 Employee benefits expense

Salary and allowances	2,120.53	1,726.44	6,074.16	4,921.36
Contribution to provident and other funds	147.06	115.61	410.57	337.78
Staff welfare expenses	102.07	84.38	280.30	256.39
Employee stock option compensation cost	53.85	82.24	154.16	257.13
	<u>2,423.51</u>	<u>2,008.67</u>	<u>6,919.19</u>	<u>5,772.66</u>

19 Operation and other expenses

Rent	54.77	50.65	158.52	157.43
Rates and taxes	6.39	9.87	32.82	21.43
Travelling and conveyance	91.58	96.84	286.28	276.81
Electricity charges	61.66	56.89	181.72	173.70
Communication expenses	39.49	47.53	111.70	127.27
Repairs and maintenance	91.60	79.85	255.66	228.61
Printing and stationery	7.32	6.12	21.42	24.68
Auditors remuneration	5.79	1.90	12.41	7.43
Legal and professional fees	33.19	84.64	135.27	156.12
Advertisement and business promotion	24.61	23.37	84.87	63.83
Bank and other charges	4.05	1.38	9.03	3.94
Directors' sitting fees	0.38	0.36	1.26	1.23
Insurance charges	6.92	3.45	17.02	10.81
Debts and advances written off	-	-	5.47	-
Provision for doubtful accounts (net of write back)	34.63	5.39	30.38	1.94
Provision for impairment in the value of investment (Refer note 5A)	44.79	-	132.79	-
Staff recruitment expenses	24.61	25.54	76.66	85.95
Service charges	46.58	45.53	144.30	136.39
Miscellaneous expenses	34.27	40.48	77.32	83.49
	<u>612.63</u>	<u>579.79</u>	<u>1,774.90</u>	<u>1,561.06</u>

HEXAWARE TECHNOLOGIES LIMITED**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS****20 Financial Instruments**

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

(Rupees Million)

September 30, 2018	Amortised <u>Cost</u>	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	1,204.99	-	-	-	1,204.99
Other bank balances	153.98	-	-	-	153.98
Investments in mutual fund units	-	229.59	-	-	229.59
Trade receivables	5,907.83	-	-	-	5,907.83
Unbilled revenue	427.57	-	-	-	427.57
Other financial assets	718.25	-	-	15.62	733.87
Investments in equity shares	-	-	4.58	-	4.58
	8,412.62	229.59	4.58	15.62	8,662.41
Trade payables	629.17	-	-	-	629.17
Other financial liabilities	565.24	-	-	774.67	1,339.91
	1,194.41	-	-	774.67	1,969.08

(Rupees Million)

December 31, 2017	Amortised <u>Cost</u>	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	882.53	-	-	-	882.53
Other bank balances	150.26	-	-	-	150.26
Investments in mutual fund units	-	189.19	-	-	189.19
Trade receivables	4,142.29	-	-	-	4,142.29
Unbilled revenue	329.92	-	-	-	329.92
Other financial assets	591.25	-	-	722.34	1,313.59
Investments in equity shares	-	-	4.58	-	4.58
	6,096.25	189.19	4.58	722.34	7,012.36
Trade payables	820.90	-	-	-	820.90
Other financial liabilities	615.36	-	-	7.89	623.25
	1,436.26	-	-	7.89	1,444.15

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

HEXAWARE TECHNOLOGIES LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

20 Financial Instruments (contd..)

20.2 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)			
September 30, 2018	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Mutual fund units	229.59	-	-	229.59
Investments in equity shares	-	-	4.58	4.58
Derivative financial assets	-	15.62	-	15.62
	<u>229.59</u>	<u>15.62</u>	<u>4.58</u>	<u>249.79</u>
Derivative financial liabilities	<u>-</u>	<u>774.67</u>	<u>-</u>	<u>774.67</u>
December 31, 2017	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Mutual fund units	189.19	-	-	189.19
Investments in equity shares	-	-	4.58	4.58
Derivative financial assets	-	722.34	-	722.34
	<u>189.19</u>	<u>722.34</u>	<u>4.58</u>	<u>916.11</u>
Derivative financial liabilities	<u>-</u>	<u>7.89</u>	<u>-</u>	<u>7.89</u>

Valuation Technique

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

20.3 Derivative financial instrument

The Company uses derivative financial instruments such as foreign exchange forward contracts to mitigate the risk of change in foreign exchange rate on trade receivables and forecasted cashflow denominated in foreign currencies.

Outstanding hedges by way of forward contracts are as follows : (In Million)

Currency hedged	As at September 30, 2018	As at December 31, 2017
Sell USD	170.40	152.88
Sell Euro	6.17	3.90
Sell GBP	11.80	7.50

The weighted average forward rate for the hedges outstanding as at September 30, 2018 is Rs. 70.81, Rs. 86.91 and Rs. 97.16. (As at December 31, 2017 Rs. 70.98, Rs. 82.16 and Rs. 91.87) for USD, Euro and GBP, respectively. The hedges mature over the eight quarters.

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

Particulars	(Rupees Million)	
	For period ended September 30, 2018	For period ended September 30, 2017
Balance at the beginning of the year	465.83	240.78
Less: Net gains transferred to statement of profit or loss on occurrence of forecasted hedge transaction	(187.11)	(412.99)
Add: Changes in the fair value of the effective portion of outstanding cash flow hedges	(1,101.68)	557.38
Less : Deferred tax	253.35	(12.36)
Balance at the end of the period	<u>(569.61)</u>	<u>372.81</u>

There were no material hedge ineffectiveness for the period ended September 30, 2018 and September 30, 2017.

HEXAWARE TECHNOLOGIES LIMITED**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS****21 Earnings per share**

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

	For quarter ended		For Nine month ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Net profit after tax (Rupees Million)	1,411.16	1,151.49	3,477.74	3,126.55
Weighted average outstanding equity shares considered for basic EPS (Nos.)	296,852,488	296,705,297	296,840,546	297,651,649
Basic earnings per share (In Rupees)	4.75	3.88	11.72	10.50
Weighted average outstanding equity shares considered for basic EPS (Nos.)	296,852,488	296,705,297	296,840,546	297,651,649
Add : Effect of dilutive issue of stock options (Nos.)	5,183,651	3,607,968	5,135,293	3,729,687
Weighted average outstanding equity shares considered for diluted EPS (Nos.)	302,036,138	300,313,265	301,975,839	301,381,336
Diluted earnings per share (In Rupees)	4.67	3.83	11.52	10.37

22 Related party disclosures

Name of the Related Parties	Country
Ultimate Holding company and its Subsidiaries	
Baring Private Equity Asia GP V. LP (ultimate holding company) (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.	USA
Hexaware Technologies UK Ltd.	United Kingdom
Hexaware Technologies Asia Pacific Pte. Ltd.	Singapore
Hexaware Technologies GmbH.	Germany
Hexaware Technologies Canada Ltd.	Canada
Hexaware Technologies, Mexico S. De. R.L. De. C.V.	Mexico
Hexaware Technologies DO Brazil Ltd, Brazil ^{(1) & (7)}	Brazil
Guangzhou Hexaware Information Technologies Company Limited	China
Hexaware Technologies LLC	Russia
Hexaware Technologies Saudi LLC	Saudi Arabia
Hexaware Technologies Romania SRL ⁽¹⁾	Romania
Hexaware Technology and Business Solutions, Inc. ⁽²⁾	USA
Hexaware Technologies Hong Kong Limited ⁽³⁾	China
Hexaware Technologies Nordic AB ⁽⁴⁾	Sweden
Digitech Technologies Inc. ⁽⁵⁾	USA
Shanghai Hexaware Information Technologies Company Limited ⁽⁶⁾	China
Associate	
Experis Technology Solutions Pte Ltd ⁽⁸⁾	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	
Mr. Bharat Shah	
Mr. P R Chandrasekar	
Ms. Meera Shankar	
Mr. Chirstian Oecking	
Mr. Basab Pradhan	
Notes:	
1. Subsidiary of Hexaware Technologies UK Ltd.	
2. Subsidiary of Hexaware Technologies Inc., closed on 17th August 2017.	
3. Formed on 18th April 2017.	
4. Formed on 7th September 2017.	
5. Subsidiary of Hexaware Technologies Inc., closed on September 27, 2018.	
6. Formed on December 15, 2017	
7. Closed on July 24, 2018.	
8. Associate of Hexaware Technologies Asia Pacific Pte Ltd .	

HEXAWARE TECHNOLOGIES LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

Details of transactions and balances with party wise details for transactions in excess of 10% of the total transactions

Rupees Million

Nature of transactions	Name of the Related party and Relationship	Quarter ended		Nine months ended	
		September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Investment made	Subsidiaries				
	Guangzhou Hexaware Information Technologies Company Limited	-	3.21	-	3.21
	Hexaware Technologies Hong Kong Limited	-	-	-	16.13
	Hexaware Technologies Nordic AB	-	0.40	-	0.40
		-	3.61	-	19.74
Impairment in value of Investment (Refer Note 5A)	Subsidiaries				
	Hexaware Technologies LLC - Russia	33.65	-	121.65	-
	Guangzhou Hexaware Information Technologies Company Limited	11.14	-	11.14	-
		44.79	-	132.79	-
Software and consultancy income	Subsidiaries				
	Hexaware Technologies Inc.	2,469.86	2,313.37	6,833.82	6,158.21
	Hexaware Technologies UK Ltd.	426.51	238.69	1,065.11	753.56
	Others	158.78	107.00	436.99	336.47
		3,055.15	2,659.06	8,335.92	7,248.24
Associate Experis Technology Solutions Pte Ltd		27.90	28.84	92.99	76.56
	Subsidiaries				
	Hexaware Technologies Inc.	12.18	36.79	58.56	119.68
	Others	2.64	-	2.64	-
		14.82	36.79	61.20	119.68
Reimbursement of cost to	Subsidiaries				
	Hexaware Technologies Inc.	5.69	9.24	18.29	9.45
	Hexaware Technologies UK Ltd.	4.78	9.07	12.70	18.76
	Others	-	-	-	0.05
		10.47	18.31	30.99	28.26
Recovery of cost from	Subsidiaries				
	Hexaware Technologies Inc.	141.25	54.93	396.07	292.21
	Hexaware Technologies UK Ltd.	70.12	51.44	217.12	172.72
	Others	8.43	27.29	33.91	44.61
		219.80	133.66	647.10	509.54
	Holding Company HT Global IT Solutions Holdings Limited	-	3.82	-	3.82
Remuneration to KMP's and Directors	Short term employee benefits	1.28	0.25	3.71	2.48
	Share based payment	14.06	12.16	38.55	37.43
	Commission and other benefits to non-executive directors *	11.86	10.15	32.78	30.31
		27.20	22.56	75.04	70.22

Notes

* Provision is made for the commission for the period ended September 30, 2018, payment of which is subject to adequacy of profits to be determined annually.

Outstanding Balances

Rupees Million

Name of the Related party and Relationship	As on September 30, 2018	As on 31st December 2017
Subsidiaries		
Investment in equity (Including share application money) (Refer note no 5A)	1,891.03	2,023.82
Trade and other receivable		
- Hexaware Technologies Inc	4,331.45	3,008.39
- Others	424.70	317.75
	4,756.15	3,326.14
Trade payable - towards services and reimbursement of cost		
- Hexaware Technologies Inc	71.38	280.35
- Others	6.03	12.06
	77.41	292.41
Trade receivable from Associate	19.33	18.85
Payable to / Provision for KMP's	30.68	38.55

HEXAWARE TECHNOLOGIES LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

23 Contingent liabilities

23.1 Contingent liabilities

Claims not acknowledged as debt Rs. 28.14 million (Rs 28.14 million as at December 31, 2017), 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.

23.2 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, 2017) 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.

24 Material events after Balance Sheet date

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

The Board of Directors, at its meeting held on October 24, 2018 has declared interim dividend of Rs. 2.50/- per equity share (125%) . This would result in estimated outflow of Rs. 894.69 million including corporate dividend tax of Rs.152.55 million.

25 Information on segment has been disclosed on a consolidated basis in accordance with Ind AS 108 "operating Segment".

26 Approval of financial statements

The financial statements were approved for issue by the Board of Directors on October 24, 2018.