

## **Independent Auditor's Report**

### To the Members of Hexaware Technologies Limited

#### **Report on the Audit of the Consolidated Financial Statements**

##### **Opinion**

We have audited the consolidated financial statements of Hexaware Technologies Limited (hereinafter referred to as the “Holding Company”) and its subsidiaries (Holding Company and its subsidiaries together referred to as “the Group”) and its associate, which comprise the consolidated balance sheet as at 31 December 2019, and the consolidated statement of profit and loss (including other comprehensive income), consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as “the consolidated financial statements”).

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of reports of other auditors on the separate financial statements of subsidiary companies and unaudited financial information of certain subsidiaries and an associate, the aforesaid consolidated 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 consolidated state of affairs of the Group and its associate as at 31 December 2019, of its consolidated profit and other comprehensive income, consolidated changes in equity and consolidated cash flows for the year then ended.

##### **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 Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India and we have fulfilled our other ethical responsibilities in accordance with the provisions of the Act. 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 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon. We do not provide a separate opinion on these matters.

## Independent Auditor's Report (Continued)

### Hexaware Technologies Limited

#### Key Audit Matters (Continued)

The key audit matter	How the matter was addressed in our audit
<b>Revenue recognition</b>	
<p>Revenue from operations is recognised based on the application of the new revenue standard <i>Ind AS 115 - Revenue from Contracts with Customers</i> ('Ind AS 115') which became applicable from 1 January 2019.</p> <p>The standard establishes a comprehensive framework for recognition of revenue. This involves making judgments relating to:</p> <ul style="list-style-type: none"> <li>• identification of performance obligations;</li> <li>• estimating the transaction price;</li> <li>• allocation of the transaction price to identified performance obligation; and</li> <li>• basis used to recognize revenue.</li> </ul> <p>It also prescribes additional disclosure requirements.</p> <p>(Refer Note 20 to the consolidated financial statements.)</p> <p>Due to the variety and nature of contractual terms, judgments involved and nature of disclosures, revenue recognition is a key audit matter.</p>	<p><b>Our key audit procedures included:</b></p> <ul style="list-style-type: none"> <li>• Obtained an understanding of the systems, processes and controls implemented by the Group for recognizing revenue and the associated contract assets and liabilities.</li> <li>• 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.</li> <li>• Involved our Information Technology (IT) specialists to assess the design and operating effectiveness of key IT controls related to the revenue process.</li> <li>• On selected sample of contracts, tested revenue recognition. Key procedures included: <ul style="list-style-type: none"> <li>- evaluating the identification of performance obligations;</li> <li>- considering the terms of the contracts to determine the transaction price;</li> <li>- testing the allocation of transaction price for performance obligations;</li> <li>- testing the unbilled revenue, efforts incurred, estimation of cost to complete;</li> <li>- testing the estimation of onerous obligation;</li> <li>- compare the efforts incurred with estimated efforts and analyse variance.</li> </ul> </li> <li>• Assessed the adequacy of disclosures in the consolidated financial statements.</li> </ul>
<b>Acquisition accounting</b>	
<p>During the year, the Hexaware Group acquired 100% equity stake in Mobiquity Inc. for Rs. 12,612.98 million. As detailed in Note 6 of the consolidated financial statements, goodwill amounting to Rs. 9,910.10 million and intangible assets amounting to Rs 2,515.95 million has been recognized in connection with the acquisition.</p>	<p><b>Our key audit procedures included:</b></p> <ul style="list-style-type: none"> <li>• Read the acquisition and other related contractual arrangements and understood the terms and conditions of the transaction.</li> <li>• Assessed the internal control over identification, measurement and adequacy of disclosure of assets acquired and liabilities assumed (including</li> </ul>

## Independent Auditor's Report (Continued)

### Hexaware Technologies Limited

#### Key Audit Matters (Continued)

The key audit matter	How the matter was addressed in our audit
<b>Acquisition accounting (Continued)</b>	
<p>Significant judgement and estimates are involved in purchase price allocation, identification and fair valuation of intangible assets acquired, allocation of goodwill to cash generating units and recognition of deferred taxes.</p> <p>Given the significance of amount, complexity of judgments and estimates involved acquisition accounting is a key audit matter.</p>	<p>contingent consideration) in terms of conformity with Ind AS 103, <i>Business Combinations</i>.</p> <ul style="list-style-type: none"> <li>• Involved our valuation specialists to assess, among other things, the significant assumptions as well as the identification and valuation approaches for the valuation of identified intangible assets and goodwill.</li> <li>• Tested the basis used to allocate goodwill to the respective cash generating units.</li> <li>• Assessed the tax methodology and rates associated with recognition of deferred tax.</li> </ul>
<b>Evaluation of uncertain tax positions</b>	
<p>The Group 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 Group.</p> <p>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.</p> <p>Refer Note 11.3 to the consolidated financial statements.</p> <p>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.</p>	<p><b>Our key audit procedures included:</b></p> <ul style="list-style-type: none"> <li>• Obtained details of outstanding tax litigations as at 31 December 2019.</li> <li>• Read and analysed select key correspondences, external legal opinions/ consultations by Group and internal assessment for key uncertain tax positions.</li> <li>• Involved our tax specialists and held inquiry with Group, to ascertain their views and approaches on significant cases, as well as the technical grounds relating to their conclusions based on applicable tax laws.</li> <li>• Our tax specialists also considered legal precedence and other rulings in evaluating the position taken by the Group on such uncertain tax positions.</li> <li>• Assessed Group's estimate of the possible outcome of the disputed cases.</li> <li>• Assessed the adequacy of related disclosures on uncertain tax positions in the consolidated financial statements.</li> </ul>

## **Independent Auditor's Report (*Continued*)**

### **Hexaware Technologies Limited**

#### **Information Other than the Consolidated Financial Statements and Auditor's Report Thereon ("Other Information")**

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

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

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

We have nothing to report in this regard.

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

The Holding Company's management and Board of Directors are responsible for the preparation and presentation of these consolidated financial statements in term of the requirements of the Act that give a true and fair view of the consolidated state of affairs, consolidated profit/ loss and other comprehensive income, consolidated statement of changes in equity and consolidated cash flows of the Group including its associate in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act. The respective Board of Directors of the companies included in the Group and of its associate are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of each 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 accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

In preparing the consolidated financial statements, the respective management and Board of Directors of the companies included in the Group and of its associate are responsible for assessing the ability of each company 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.

The respective Board of Directors of the companies included in the Group and of its associate is responsible for overseeing the financial reporting process of each company.

## **Independent Auditor's Report (*Continued*)**

### **Hexaware Technologies Limited**

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under clause (i) of sub-section (3) of Section 143 of the Act, we are also responsible for expressing our opinion on whether the Holding Company and subsidiary company incorporated in India have adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting in preparation of consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the appropriateness of this assumption. 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group (Holding Company and subsidiaries) as well as associate to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- obtain sufficient appropriate audit evidence regarding the financial information of such entities or business activities within the Group and its associate to express an opinion on the consolidated financial statements,

## **Independent Auditor's Report (*Continued*)**

### **Hexaware Technologies Limited**

#### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (*Continued*)**

of which we are the independent auditors. We are responsible for the direction, supervision and performance of the audit of financial information of such entities. For the other entities included in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion. Our responsibilities in this regard are further described in sub-paragraph (a) of the section titled 'Other Matters' in this audit report.

We believe that the audit evidence obtained by us along with the consideration of audit reports of the other auditors referred to in sub-paragraph (a) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated financial statements of which we are the independent auditors 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 consolidated 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.

#### **Other Matters**

- (a) We did not audit the financial statements of fifteen (15) subsidiaries, whose financial statements reflect total assets (before consolidation adjustments) of Rs. 6,662.14 million as at 31 December 2019, total revenues (before consolidation adjustments) of Rs. 12,683.33 million and net cash outflows amounting to Rs. 1,121.31 million for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, and our report in terms of sub-section (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries is based solely on the audit reports of the other auditors.

## **Independent Auditor's Report (*Continued*)**

### **Hexaware Technologies Limited**

#### **Other Matters (*Continued*)**

- (b) The financial information of three (3) subsidiaries whose financial information reflect total assets (before consolidation adjustments) of Rs. 0.06 million as at 31 December 2019, total revenues (before consolidation adjustments) of Rs. Nil and net cash inflows amounting to Rs. 0.04 million for the year ended on that date, as considered in the consolidated financial statements, have not been audited either by us or by other auditors. The consolidated financial statements also include the Group's share of net profit (and other comprehensive income) of Rs. 4.10 million for the year ended 31 December 2019, as considered in the consolidated financial statements, in respect of one associate, whose financial information have not been audited by us or by other auditors. These unaudited financial information has been furnished to us by the Management of the Holding Company and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and associate, and our report in terms of sub-sections (3) of Section 143 of the Act in so far as it relates to the aforesaid subsidiaries and associate, is based solely on such unaudited financial information. In our opinion and according to the information and explanations given to us by the Management, these financial information are not material to the Group.

Our opinion on the consolidated financial statements, and our *Report on Other Legal and Regulatory Requirements* below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial information certified by the Management.

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

- A. As required by sub-sections (3) of Section 143 of the Act, based on our audit and on the consideration of reports of the other auditors on separate financial statements of such subsidiaries and unaudited financial information of certain subsidiaries and an associate as certified by the Management of the Holding Company, as noted in the '*Other Matters*' paragraph, we report, to the extent applicable, that:
- a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements;
  - b) in our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors;
  - c) the consolidated balance sheet, the consolidated statement of profit and loss (including other comprehensive income), the consolidated statement of changes in equity and the consolidated statement of cash flows dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;
  - d) in our opinion, the aforesaid consolidated financial statements comply with the Ind AS specified under Section 133 of the Act;

## **Independent Auditor's Report (*Continued*)**

### **Hexaware Technologies Limited**

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

- e) on the basis of the written representations received from the directors of the Holding Company as on 31 December 2019 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary company incorporated in India, none of the directors of the Holding Company and subsidiary company incorporated in India 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 Holding Company and its subsidiary company incorporated in India and the operating effectiveness of such controls, refer to our separate Report in “Annexure A”.
- 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 Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on separate financial statements of the subsidiaries and unaudited financial information of certain subsidiaries and an associate as noted in the 'Other Matters' paragraph:
- i. the consolidated financial statements disclose the impact of pending litigations as at 31 December 2019 on the consolidated financial position of the Group and its associate - refer Note 31 to the consolidated financial statements;
  - ii. provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, on long-term contracts including derivative contracts - refer Note 33 to the consolidated financial statements; and
  - iii. the Holding Company or its subsidiary company incorporated in India has been regular in transferring amounts to the Investor Education and Protection Fund, except there was a delay in transferring Rs 390,643 by the Holding Company, 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 and based on the reports of the statutory auditors of such subsidiary company incorporated in India which were not audited by us, the remuneration paid / payable during the current year by the Holding Company and such subsidiary companies to its directors is in accordance with the provisions of Section 197 of the Act.



## **Independent Auditor's Report (*Continued*)**

### **Hexaware Technologies Limited**

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

The remuneration paid / payable to any director by the Holding Company and such subsidiary company is not in excess of the limit 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

Mumbai  
11 February 2020

**Rajesh Mehra**

*Partner*

Membership No: 103145  
UDIN: 20103145AAAAAH6056

# Hexaware Technologies Limited

## **Annexure A to the Independent Auditor’s Report on the consolidated financial statements of Hexaware Technologies Limited for the year ended 31 December 2019**

### **Report on the internal financial controls with reference to the aforesaid consolidated 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**

In conjunction with our audit of the consolidated financial statements of the Group as of and for the year ended 31 December 2019, we have audited the internal financial controls with reference to consolidated financial statements of Hexaware Technologies Limited (hereinafter referred to as “the Holding Company”) and such subsidiary company incorporated in India under the Companies Act, 2013.

In our opinion and based on the consideration of reports of the other auditor on separate financial statements of the subsidiary incorporated in India, the Holding Company and such subsidiary company incorporated in India, have, in all material respects, adequate internal financial controls with reference to consolidated financial statements and such internal financial controls were operating effectively as at 31 December 2019, based on the internal financial controls with reference to consolidated financial statements criteria established by such companies considering the essential components of such internal controls 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 respective company’s management and the Board of Directors are responsible for establishing and maintaining internal financial controls with reference to consolidated financial statements based on the criteria established by the respective 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 the respective 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 internal financial controls with reference to consolidated financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing (SAs), 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 consolidated financial statements. Those

# Hexaware Technologies Limited

## **Annexure A to the Independent Auditor's Report – 31 December 2019** *(Continued)*

### **Auditor's Responsibility** *(Continued)*

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 consolidated financial statements were established and maintained and if 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 consolidated financial statements and their operating effectiveness. Our audit of internal financial controls with reference to consolidated financial statements included obtaining an understanding of internal financial controls with reference to consolidated financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of the internal controls 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 consolidated financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors of the relevant subsidiary companies in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls with reference to consolidated financial statements.

### **Meaning of Internal Financial controls with Reference to Consolidated Financial Statements**

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

### **Inherent Limitations of Internal Financial controls with Reference to Consolidated Financial Statements**

Because of the inherent limitations of internal financial controls with reference to consolidated 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 consolidated financial statements to future periods are subject to the risk that the internal financial controls with reference to consolidated financial statements may become

# Hexaware Technologies Limited

## **Annexure A to the Independent Auditor's Report – 31 December 2019** *(Continued)*

### **Inherent Limitations of Internal Financial controls with Reference to Consolidated Financial Statements** *(Continued)*

inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

#### **Other Matter**

Our aforesaid report under clause (i) of sub-section (3) of Section 143 of the Act on the adequacy and operating effectiveness of the internal financial controls with reference to the consolidated financial statements insofar as it relates to its subsidiary company incorporated in India and not audited by us, is based on the corresponding reports of the other auditors of such subsidiary company.

Our opinion is not modified in respect of this matter.

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

Mumbai  
11 February 2020

**Rajesh Mehra**  
*Partner*  
Membership No: 103145  
UDIN: 20103145AAAAAH6056

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

		As at	Rupees Million
	Note	December 31, 2019	As at December 31, 2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	6,068.90	3,827.85
Capital work-in-progress - Tangible		863.32	2,244.43
Goodwill	6B	11,760.88	1,809.08
Other intangible assets	7	2,545.64	104.59
Financial assets			
- Investments	8A	29.99	25.89
- Loans - Security deposits	9A	412.00	249.20
- Other financial assets	10A	113.37	136.79
Income tax asset (net)		380.14	374.25
Deferred tax assets (net)	11.3	1,437.20	1,784.14
Other non-current assets	12A	823.91	901.96
<b>Total non-current assets</b>		<b>24,435.35</b>	<b>11,458.18</b>
<b>Current assets</b>			
Financial assets			
- Investments	8B	-	101.28
- Trade receivables	13	9,795.61	8,031.00
- Unbilled receivables		3,535.47	2,729.85
- Cash and cash equivalents	14A	2,316.43	8,050.55
- Other bank balances	14B	149.11	154.38
- Loans - Security deposits	9B	7.66	6.53
- Other financial assets	10B	331.44	160.00
Current tax assets (net)		131.95	36.39
Other current assets	12B	984.38	606.51
<b>Total current assets</b>		<b>17,252.05</b>	<b>19,876.49</b>
<b>Total assets</b>		<b>41,687.40</b>	<b>31,334.67</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity share capital	15	596.77	594.72
Other equity		27,057.86	23,323.93
<b>Total equity</b>		<b>27,654.63</b>	<b>23,918.65</b>
<b>Non-current liabilities</b>			
Financial liabilities			
- Borrowings (secured)	32	1,429.46	-
- Other financial liabilities	16A	44.82	75.64
Provisions - Employee benefit obligations in respect of Gratuity		428.40	230.38
<b>Total non-current liabilities</b>		<b>1,902.68</b>	<b>306.02</b>
<b>Current liabilities</b>			
Financial liabilities			
- Borrowings (secured)	32	1.27	-
- Trade payables	17	3,949.15	3,299.90
- Other financial liabilities	16B	6,207.82	1,914.69
Other current liabilities	18	955.93	1,014.28
Provisions			
- Employee benefit obligations in respect of compensated absences and others		824.76	685.28
- Others	19	-	-
Current tax liabilities (net)		191.16	195.85
<b>Total current liabilities</b>		<b>12,130.09</b>	<b>7,110.00</b>
<b>Total liabilities</b>		<b>14,032.77</b>	<b>7,416.02</b>
<b>Total equity and liabilities</b>		<b>41,687.40</b>	<b>31,334.67</b>

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

As per our report of even date

**For B S R & Co. LLP**  
Chartered Accountants  
Firm registration number: 101248W/W-100022

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

**Rajesh Mehra**  
Partner  
Membership number: 103145  
Mumbai, dated February 11, 2020

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

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

**HEXAWARE TECHNOLOGIES LIMITED**  
**CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2019**

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

**Kosmas Kalliarekos**  
(Director)  
(DIN-03642933)

Mumbai, dated February 11, 2020

**Vikash Kumar Jain**  
(Chief Financial Officer)

**Gunjan Methi**  
(Company Secretary)

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

Rupees Million

	Notes	For the year ended	
		December 31, 2019	December 31, 2018
<b>INCOME</b>			
Revenue from operations	20	55,825.18	46,477.62
Exchange rate difference (net)		192.71	471.45
Other income	21	89.38	105.48
<b>Total income</b>		<b>56,107.27</b>	<b>47,054.55</b>
<b>EXPENSES</b>			
Software and development expenses	22	11,826.42	10,250.37
Employee benefits expense	23	30,279.28	24,799.53
Operation and other expenses	24	4,937.21	4,089.53
Finance cost		74.02	0.42
Depreciation and amortisation expense	5, 7	1,033.53	650.55
<b>Total expenses</b>		<b>48,150.46</b>	<b>39,790.40</b>
<b>Profit before exceptional item, tax and share in profit of associate</b>		<b>7,956.81</b>	<b>7,264.15</b>
Exceptional item - Acquisition related costs (refer note 6(a))		168.24	-
<b>Profit before tax and share in profit of associate</b>		<b>7,788.57</b>	<b>7,264.15</b>
Share in profit of associate (Net of tax)		4.10	1.66
<b>Profit before tax</b>		<b>7,792.67</b>	<b>7,265.81</b>
Tax expense			
- Current		1,538.49	1,713.68
- Deferred charge/(credit)		(159.25)	(282.50)
Total tax expense		1,379.24	1,431.18
<b>Profit for the year</b>		<b>6,413.43</b>	<b>5,834.63</b>
<b>Other comprehensive income (OCI):</b>			
<i>i) Items that will not be reclassified to profit or loss</i>			
- 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)
<i>ii) Items that will be reclassified to profit or loss</i>			
- Net change in fair value of cash flow hedges		201.63	(598.18)
- Exchange differences in translating the financial statements of foreign operations		277.99	569.91
- Income tax relating to items that will be reclassified to profit or loss		39.28	117.49
<b>Total other comprehensive income</b>		<b>371.07</b>	<b>122.22</b>
<b>Total comprehensive income for the year</b>		<b>6,784.50</b>	<b>5,956.85</b>
<b>Earnings per share (EPS) (In Rupees)</b>			
Basic	25	21.52	19.65
Diluted		21.24	19.31

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

As per our report of even date

**For B S R & Co. LLP**

Chartered Accountants

Firm registration number: 101248W/W-100022

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

(CIN : L72900MH1992PLC069662)

**Rajesh Mehra**

Partner

Membership number: 103145

Mumbai, dated February 11, 2020

**R. Srikrishna**

(CEO & Executive Director)

(DIN-03160121)

**Meera Shankar**

(Director)

(DIN-06374957)

**HEXAWARE TECHNOLOGIES LIMITED**

**CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED DECEMBER 31, 2019**

**Jimmy Mahtani**

(Vice Chairman)

(DIN-00996110)

**Kosmas Kalliarekos**

(Director)

(DIN-03642933)

Mumbai, dated February 11, 2020

**Vikash Kumar Jain**

(Chief Financial Officer)

**Gunjan Methi**

(Company Secretary)



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

**A. Equity Share Capital**

	Rupees Million	
	December 31, 2019	December 31, 2018
Outstanding at the beginning of the year	594.72	593.61
Add: On issue of shares during the year	2.05	1.11
Outstanding at the end of the year (Refer note 15)	<b>596.77</b>	<b>594.72</b>

**B. Other Equity**

	Rupees Million										
	Share application money pending allotment	Securities premium	Capital reserve	Capital redemption reserve	SEZ Re-investment reserve	Share option outstanding account	General reserve	Retained earnings	Other comprehensive income	Cashflow hedge reserve (CFHR)	Total
<b>Balances as at January 1, 2019</b>	0.42	3,635.69	2.88	11.39	476.45	991.75	2,144.05	14,574.38	1,501.78	(14.86)	23,323.93
Profit for the year	-	-	-	-	-	-	-	6,413.43	-	-	6,413.43
Other comprehensive income (net of tax)	-	-	-	-	-	-	-	(147.83)	277.99	240.92	371.08
<b>Total comprehensive income for the year</b>	-	-	-	-	-	-	-	<b>6,265.60</b>	<b>277.99</b>	<b>240.92</b>	<b>6,784.51</b>
Dividend paid (including dividend tax)	-	-	-	-	-	-	-	(3,054.31)	-	-	(3,054.31)
Tax benefit on share based compensation	-	-	-	-	-	-	-	(22.40)	-	-	(22.40)
Transfer to SEZ Re-investment reserve	-	-	-	-	(874.09)	-	-	874.09	-	-	-
Transfer from SEZ Re-investment 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
<b>As at December 31, 2019</b>	<b>-</b>	<b>3,846.22</b>	<b>2.88</b>	<b>11.39</b>	<b>-</b>	<b>807.77</b>	<b>2,144.05</b>	<b>18,239.72</b>	<b>1,779.77</b>	<b>226.06</b>	<b>27,057.86</b>
<b>Balances as at January 1, 2018</b>	0.61	3,517.94	2.88	11.39	24.08	732.44	2,144.05	11,648.05	931.87	465.83	19,479.14
Profit for the year	-	-	-	-	-	-	-	5,834.63	-	-	5,834.63
Other comprehensive income	-	-	-	-	-	-	-	33.00	569.91	(480.69)	122.22
<b>Total comprehensive income for the year</b>	-	-	-	-	-	-	-	<b>5,867.63</b>	<b>569.91</b>	<b>(480.69)</b>	<b>5,956.85</b>
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	-	-	-	-	-	-	-	17.10	-	-	17.10
Transfer to special economic zone reserve, net	-	-	-	-	749.63	-	-	(749.63)	-	-	-
Transfer from SEZ Re-investment reserve	-	-	-	-	(297.26)	-	-	297.26	-	-	-
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
<b>As at December 31, 2018</b>	<b>0.42</b>	<b>3,635.69</b>	<b>2.88</b>	<b>11.39</b>	<b>476.45</b>	<b>991.75</b>	<b>2,144.05</b>	<b>14,574.38</b>	<b>1,501.78</b>	<b>(14.86)</b>	<b>23,323.93</b>

**Nature and purpose of reserves**

- 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 .
- Capital reserve represent reserve on amalgamation
- Capital redemption reserve is created on buy-back of the equity shares in accordance with the provisions of the Act.
- The Special Economic Zone (SEZ) 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.
- 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.
- General reserve represents appropriation of profits by the Company.
- Retained earnings comprise of the accumulated undistributed earnings.

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

As per our report of even date

**For B S R & Co. LLP**  
Chartered Accountants  
Firm registration number: 101248W/W-100022

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

**Rajesh Mehra**  
Partner  
Membership number: 103145  
Mumbai, dated February 11, 2020

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

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

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

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

**Kosmas Kalliarekos**  
(Director)  
(DIN-03642933)

Mumbai, dated February 11, 2020

**Vikash Kumar Jain**  
(Chief Financial Officer)

**Gunjan Methi**  
(Company Secretary)

**HEXAWARE TECHNOLOGIES LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

Rupees Million

For the year ended

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<b>Cash Flow from operating activities</b>		
Net Profit before tax	7,792.67	7,265.81
<b>Adjustments for:</b>		
Depreciation and amortization expense	1,033.53	650.55
Employee stock option compensation cost	26.55	373.74
Interest income	(73.81)	(53.26)
Provision for doubtful accounts (net of write back)	28.07	20.12
Debts and advances written off	38.55	15.83
Dividend from investments	(2.93)	(9.73)
Loss/(Profit) on sale of property, plant and equipment (PPE) (net)	1.75	1.69
Exchange rate difference (net) - unrealised	(101.59)	7.09
Interest expense	74.02	0.42
Other income	-	(25.55)
Share in profit of associate	(4.10)	(1.66)
<b>Operating profit before working capital changes</b>	<b>8,812.71</b>	<b>8,245.05</b>
<b>Adjustments for:</b>		
Trade receivables and other assets	(1,609.58)	(2,382.40)
Trade payables and other liabilities	334.66	1,216.05
<b>Cash generated from operations</b>	<b>7,537.79</b>	<b>7,078.70</b>
Direct taxes paid (net)	(1,573.95)	(1,591.67)
<b>Net cash from operating activities</b>	<b>5,963.84</b>	<b>5,487.03</b>
<b>Cash flow from investing activities</b>		
Purchase of PPE, intangibles including CWIP and capital advances	(1,296.25)	(608.68)
Proceeds from sale of property, plant and equipment	(0.09)	3.01
Purchase of investments	(1,115.43)	(3,292.46)
Proceeds from sale/ redemption of investments	1,216.71	3,380.37
Payment for acquisition of business, net of cash acquired (refer note 6(a))	(8,859.18)	-
Dividend from investments	2.93	9.73
Interest received	74.61	53.51
<b>Net cash used in investing activities</b>	<b>(9,976.70)</b>	<b>(454.52)</b>
<b>Cash flow from financing activities</b>		
Proceeds from issue of shares / share application money (net)	1.63	4.24
Proceeds from short term borrowing (net)	1.27	-
Proceeds from long term borrowing	1,410.53	-
Interest paid	(47.82)	(0.42)
Dividend paid (including corporate dividend tax)	(3,054.31)	(2,506.03)
<b>Net cash used in financing activities</b>	<b>(1,688.70)</b>	<b>(2,502.21)</b>
Net Increase/(decrease) in cash and cash equivalents	(5,701.56)	2,530.30
Cash and cash equivalents at the beginning of the year	8,050.55	5,147.41
Add: Unrealised loss / (gain) on foreign currency cash and cash equivalents	(32.56)	372.84
Cash and cash equivalents at the end of the year (Refer Note 14A)	<b>2,316.43</b>	<b>8,050.55</b>

**Notes:**

**Non cash transaction:**

Liabilities towards deferred consideration (Refer note 6(a))	3,490.46	-
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**Reconciliation of Long term borrowing:**

	Rupees Million	
	For the year ended	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<b>Opening balance</b>	-	-
Long term borrowing during the year	1,383.33	-
Adjustment on account of currency translation	46.13	-
<b>Closing balance</b>	<b>1,429.46</b>	-

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

As per our report of even date

**For B S R & Co. LLP**  
Chartered Accountants  
Firm registration number: 101248W/W-100022

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

**Rajesh Mehra**  
Partner  
Membership number: 103145  
Mumbai, dated February 11, 2020

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

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

**HEXAWARE TECHNOLOGIES LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOW**

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

**Kosmas Kalliarekos**  
(Director)  
(DIN-03642933)

Mumbai, dated February 11, 2020

**Vikash Kumar Jain**  
(Chief Financial Officer)

**Gunjan Methi**  
(Company Secretary)

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

**1 Corporate Information**

Hexaware Technologies Limited ("Hexaware" or "the Company") is a public limited company incorporated in India. The Holding Company together with its subsidiaries ("the Group") 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 Group'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 Group has considered an operating cycle of 12 months.

**2.3 Basis of consolidation**

**(i) Subsidiaries**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

The financial statement of the Group are consolidated on line-by-line basis by adding together like items after eliminating intra group transactions and unrealised gain/loss from such transaction. These financial statements are prepared by applying uniform accounting policies used in Group.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interests are adjusted to reflect the changes in their relative interest in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

**(ii) Associates**

Associates are entities over which the Group has significant influence but not control. Investments in associates are accounted for using the equity method of accounting. The investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss and other comprehensive income of the investee after the acquisition date.

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

**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:**

**(i) Revenue recognition**

The Group uses the percentage-of-completion method in accounting for its fixed-price contracts. Use of the percentage-of completion method requires the Group 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 assets 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. These capitalised costs are amortized over the term of contract.

**(ii) Income-tax**

The major tax jurisdiction for the Group is India and United States of America, though the Group also files tax returns in other 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 asset on unrecognised tax benefits. A tax assessment can involve complex issues, which can only be resolved over extended time periods.

**(iii) Impairment of goodwill**

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit (CGU) to which goodwill has been allocated. The value in use calculation requires the management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where actual future cash flows are less than expected, a material impairment loss may arise.

**(iv) Others**

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

**2.4 Business Combinations**

The Group accounts for its business acquisitions using the acquisition method of accounting. Acquisition-related costs are recognised in profit or loss as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meets the condition of recognition are recognised at their fair values at the acquisition date.

Fair value of purchase consideration in excess of fair value of net assets acquired is recognised as goodwill. If the fair value of identifiable asset and liabilities exceed the cost of acquisition, after reassessing the fair values of the net assets and contingent liabilities, the excess is recognised as capital reserve.

The interest of non-controlling shareholders is initially measured either at fair value or at the non-controlling interests proportionate basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent change in equity of subsidiaries.

Business Combinations arising from transfer of interest in entities that are under common control are accounted on historical cost basis. The difference between any consideration given and the aggregate historical carrying amounts of assets and liabilities of the acquired entity is recorded in shareholders' equity.

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

**2.5 Goodwill**

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of a business (see note 2.5 above) less accumulated impairment losses, if any.

On disposal of the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

**2.6 Revenue Recognition**

Effective January 1, 2019, the group 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 Group 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 2.7 – 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 Group 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 Group 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 Group 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 projects 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 Group 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.

**2.7 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.

**2.8 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.

Assets and liabilities of entities with functional currency other than presentation currency have been translated to the presentation currency using exchange rates prevailing on the balance sheet date. Items in the statement of profit or loss have been translated using average exchange rates. Translation adjustments have been reported as foreign currency translation reserve in Other comprehensive income.

**2.9 Borrowing Cost**

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

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

**2.10 Employee Benefits**

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

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

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

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

**b) Short term employee benefit**

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

**2.11 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.

**2.12 Taxes on Income**

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

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

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

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

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

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

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

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

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



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

**2.13 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 based on the expert technical advice / stipulation of Schedule II of 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.

**2.14 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
Brand	2 years
Customer contracts / relationships	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.

**2.15 Impairment**

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

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

**b) Non-financial assets**

**(i) Goodwill**

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units (or groups of cash generating units) that is expected to benefit from the synergies of the combination.

Cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

**(ii) Tangible and Intangible assets**

At the end of each reporting period, the Group 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 (i.e. higher of the fair value less cost to sale and the value in use). When it is not possible to estimate the recoverable amount of an individual asset, the Group 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.

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

**2.16 Provisions**

Provisions are recognised when the Group 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 group 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.

**2.17 Non derivative financial instruments**

Financial assets and liabilities are recognised when the Group 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) Cash and cash equivalents**

The Group 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.

**(v) 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.

**2.18 Derivative financial instruments and hedge accounting**

The Group 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 Group at the inception documents and designates these instruments as cash flow hedges. Accordingly, the Group records the cumulative gain or loss arising from change in fair values on effective cash flow hedges in the cash flow hedge reserve 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 period and is grouped under exchange rate difference.

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

**2.19 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 Group 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**

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 Group is currently assessing the impact of adopting the amendments on its financial statements.

**HEXAWARE TECHNOLOGIES LIMITED**  
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**4 Entities to consolidation**

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

For the year ended December 31, 2019

	Name of the Entity	Country of Incorporation	Net Assets		Share in profit or loss		Share in OCI		Share in total comprehensive income	
			% of Consolidated	Rupees Million	% of Consolidated	Rupees Million	% of Consolidated	Rupees Million	% of Consolidated	Rupees Million
1	Hexaware Technologies Limited (Parent)	India	77.45%	21,289.15	76.17%	4,886.06	100.00%	74.02	76.44%	4,960.08
	<b>Wholly owned subsidiaries</b>									
1	Hexaware Technologies Inc.	USA	13.67%	3,757.91	14.69%	942.61	-	-	14.53%	942.61
2	Hexaware Technologies, Mexico S. De. R.L. De. C.V.	Mexico	0.58%	152.62	0.81%	51.70	-	-	0.80%	51.70
3	Hexaware Technologies UK Ltd	UK	3.42%	940.52	0.51%	32.68	-	-	0.50%	32.68
4	Hexaware Technologies Asia Pacific Pte Limited	Singapore	0.84%	231.02	1.48%	94.69	-	-	1.46%	94.69
5	Hexaware Technologies GmbH	Germany	0.42%	115.12	0.33%	21.01	-	-	0.32%	21.01
6	Hexaware Technologies Canada Limited	Canada	-0.03%	(8.42)	0.51%	32.66	-	-	0.50%	32.66
7	Hexaware Technologies DO Brazil Ltd., Brazil (Subsidiary of Hexaware Technologies UK Ltd)	Brazil	0.00%	-	0.00%	-	-	-	0.00%	-
8	Guangzhou Hexaware Information Technologies Company Limited	China	0.00%	0.22	-0.03%	(2.16)	-	-	-0.03%	(2.16)
9	Hexaware Technologies LLC	Russia	0.15%	41.55	0.06%	3.67	-	-	0.06%	3.67
10	Hexaware Technologies Saudi LLC	Saudi Arabia	0.12%	32.43	0.04%	2.58	-	-	0.04%	2.58
11	Hexaware Technologies Romania SRL (Subsidiary of Hexaware Technologies UK Ltd.)	Romania	0.06%	17.36	-0.44%	(28.35)	-	-	-0.44%	(28.35)
12	Hexaware Technologies Hong Kong Limited	Hong Kong	0.22%	59.84	0.57%	36.81	-	-	0.57%	36.81
13	Hexaware Technologies Nordic AB	Sweden	0.06%	15.25	-0.50%	(31.81)	-	-	-0.49%	(31.81)
14	Digitel Technologies Inc. (closed on September 27, 2018) (Subsidiary of Hexaware Technologies Inc.)	USA	0.00%	-	0.00%	-	-	-	0.00%	-
15	Shanghai Hexaware Information Technologies Company Limited	China	0.00%	1.18	-0.06%	(3.64)	-	-	-0.06%	(3.64)
16	Mobiquity Inc ( Acquired on 13th June 2019, Subsidiary of Hexaware Technologies Inc.)	USA	1.53%	420.24	3.91%	250.52	-	-	3.86%	250.52
17	Mobiquity Velocity Solutions, Inc (Subsidiary of Mobiquity Inc.)	USA	0.00%	0.13	0.00%	-	-	-	0.00%	-
18	Mobiquity Velocity Cooperative UA (Subsidiary of Mobiquity Inc.)	Netherland	0.00%	-	0.00%	-	-	-	0.00%	-
19	Mobiquity BV (Subsidiary of Mobiquity Velocity Cooperative UA)	Netherland	1.34%	368.39	3.71%	237.95	-	-	3.67%	237.95
20	Morgan Clark BV (Subsidiary of Mobiquity Velocity Cooperative UA)	Netherland	-0.14%	(38.93)	-2.17%	(139.35)	-	-	-2.15%	(139.35)
21	Mobiquity Softech Private Limited (Acquired on 13th June 2019, Subsidiary of Hexaware Technologies Limited)	India	0.24%	66.62	0.36%	23.22	-	-	0.36%	23.22
22	Montana Merger Sub Inc. (Formed on June 7, 2019 as subsidiary of Hexaware Technologies Inc and merged with Mobiquity Inc, on June 13, 2019)	USA	0.00%	-	0.00%	-	-	-	0.00%	-
23	Hexaware Technologies South Africa (Pty) Ltd (formed on November 25, 2019, Subsidiary of Hexaware Technologies UK Ltd)	South Africa	0.00%	-	0.00%	-	-	-	0.00%	-
	<b>Associate</b>									
1	Experis Technology Solutions Pte. Ltd. (20% ownership interest by Hexaware Technologies Asia Pacific Pte Limited)	Singapore	0.09%	25.40	0.06%	4.10	-	-	0.06%	4.10
	<b>Total</b>		<b>100.00%</b>	<b>27,487.60</b>	<b>100.00%</b>	<b>6,414.95</b>	<b>100.00%</b>	<b>74.02</b>	<b>100.00%</b>	<b>6,488.97</b>

For the year ended December 31, 2018

	Name of the Entity	Country of Incorporation	Net Assets		Share in profit or loss		Share in OCI		Share in total comprehensive income	
			% of Consolidated	Rupees Million	% of Consolidated	Rupees Million	% of Consolidated	Rupees Million	% of Consolidated	Rupees Million
1	Hexaware Technologies Limited (Parent)	India	54.63%	13,066.99	79.93%	4,663.57	100.00%	122.22	80.34%	4,785.79
	<b>Wholly owned subsidiaries</b>									
1	Hexaware Technologies Inc.	USA	36.95%	8,839.09	15.28%	891.48	-	-	14.97%	891.48
2	Hexaware Technologies, Mexico S. De. R.L. De. C.V.	Mexico	0.49%	116.20	0.71%	41.50	-	-	0.70%	41.50
3	Hexaware Technologies UK Ltd	UK	2.90%	693.65	0.17%	9.96	-	-	0.17%	9.96
4	Hexaware Technologies Asia Pacific Pte Limited	Singapore	3.23%	772.20	4.92%	286.99	-	-	4.82%	286.99
5	Hexaware Technologies GmbH	Germany	1.36%	326.22	0.32%	18.87	-	-	0.32%	18.87
6	Hexaware Technologies Canada Limited	Canada	-0.01%	(3.16)	0.22%	13.08	-	-	0.22%	13.08
7	Hexaware Technologies DO Brazil Ltd., Brazil (Subsidiary of Hexaware Technologies UK Ltd)	Brazil	0.00%	-	-0.05%	(2.70)	-	-	-0.05%	(2.70)
8	Guangzhou Hexaware Information Technologies Company Limited	China	0.01%	3.27	-0.05%	(2.78)	-	-	-0.05%	(2.78)
9	Hexaware Technologies LLC	Russia	0.14%	32.96	-0.77%	(44.99)	-	-	-0.76%	(44.99)
10	Hexaware Technologies Saudi LLC	Saudi Arabia	0.04%	10.03	-0.08%	(4.95)	-	-	-0.09%	(4.95)
11	Hexaware Technologies Romania SRL (Subsidiary of Hexaware Technologies UK Ltd.)	Romania	0.14%	32.36	-0.72%	(41.79)	-	-	-0.70%	(41.79)
12	Hexaware Technologies Hong Kong Limited	Hong Kong	0.03%	8.30	0.13%	7.85	-	-	0.13%	7.85
13	Hexaware Technologies Nordic AB	Sweden	-0.02%	(4.89)	-0.10%	(5.55)	-	-	-0.09%	(5.55)
14	Digitel Technologies Inc. (closed on September 27, 2018) (Subsidiary of Hexaware Technologies Inc.)	USA	0.00%	-	0.00%	-	-	-	0.00%	-
15	Shanghai Hexaware Information Technologies Company Limited	China	0.02%	4.13	0.04%	2.43	-	-	0.04%	2.43
	<b>Associate</b>									
1	Experis Technology Solutions Pte. Ltd. (20% ownership interest by Hexaware Technologies Asia Pacific Pte Limited)	Singapore	0.09%	21.30	0.03%	1.66	-	-	0.03%	1.66
	<b>Total</b>		<b>100.00%</b>	<b>23,918.65</b>	<b>100.00%</b>	<b>5,834.63</b>	<b>100.00%</b>	<b>122.22</b>	<b>100.00%</b>	<b>5,956.85</b>

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

**5 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 Equipment</u>	<u>Leasehold Improvements</u>	<u>Total</u>
<b>COST</b>								
At January 1, 2019	0.15	3,030.10	2,423.76	785.97	18.87	1,293.50	152.00	7,704.35
Additions	-	886.26	793.01	420.04	2.57	609.50	60.97	2,772.35
Additions on acquisition (Refer note 6(a))	-	-	87.08	21.58	-	18.69	16.19	143.54
(Disposals) / adjustments	-	(2.87)	(102.96)	(15.03)	(0.93)	(4.43)	-	(126.22)
Translation exchange difference	-	-	18.74	3.94	0.04	3.91	6.59	33.22
At December 31, 2019	<u>0.15</u>	<u>3,913.49</u>	<u>3,219.63</u>	<u>1,216.50</u>	<u>20.55</u>	<u>1,921.17</u>	<u>235.75</u>	<u>10,527.24</u>
<b>ACCUMULATED DEPRECIATION</b>								
At January 1, 2019	-	363.57	1,885.10	554.53	14.00	945.05	114.25	3,876.50
Charge for the year	-	57.78	337.38	91.11	2.83	147.77	32.99	669.86
(Disposals) / adjustments	-	(0.42)	(92.03)	(15.03)	(0.93)	(3.97)	-	(112.38)
Translation exchange difference	-	-	14.30	2.64	0.04	2.56	4.82	24.36
At December 31, 2019	<u>-</u>	<u>420.93</u>	<u>2,144.75</u>	<u>633.25</u>	<u>15.94</u>	<u>1,091.41</u>	<u>152.06</u>	<u>4,458.34</u>
<b>NET CARRYING AMOUNT</b>								
At December 31, 2019	<u>0.15</u>	<u>3,492.56</u>	<u>1,074.88</u>	<u>583.25</u>	<u>4.61</u>	<u>829.76</u>	<u>83.69</u>	<u>6,068.90</u>

<b>COST</b>								
At January 1, 2018	0.15	2,728.57	2,127.42	742.67	19.63	1,239.95	136.00	6,994.39
Additions	-	301.53	313.39	62.59	-	67.19	9.61	754.31
(Disposals)	-	-	(36.35)	(29.08)	(0.92)	(17.43)	(5.54)	(89.32)
Translation exchange difference	-	-	19.30	9.79	0.16	3.79	11.93	44.97
At December 31, 2018	<u>0.15</u>	<u>3,030.10</u>	<u>2,423.76</u>	<u>785.97</u>	<u>18.87</u>	<u>1,293.50</u>	<u>152.00</u>	<u>7,704.35</u>
<b>ACCUMULATED DEPRECIATION</b>								
At January 1, 2018	-	310.85	1,642.28	520.53	12.09	837.62	90.70	3,414.07
Charge for the year	-	52.72	260.98	55.36	2.67	122.29	21.19	515.21
(Disposals)	-	-	(33.68)	(27.20)	(0.92)	(17.28)	(5.54)	(84.62)
Translation exchange difference	-	-	15.52	5.84	0.16	2.42	7.90	31.84
At December 31, 2018	<u>-</u>	<u>363.57</u>	<u>1,885.10</u>	<u>554.53</u>	<u>14.00</u>	<u>945.05</u>	<u>114.25</u>	<u>3,876.50</u>
<b>NET CARRYING AMOUNT</b>								
At December 31, 2018	<u>0.15</u>	<u>2,666.53</u>	<u>538.66</u>	<u>231.44</u>	<u>4.87</u>	<u>348.45</u>	<u>37.75</u>	<u>3,827.85</u>

Note:

i) Plant and machinery includes computer systems

ii) Buildings includes office premises taken on 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, respectively 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.

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

**6 Goodwill**

**a Business combination**

The Group on June 13, 2019 acquired 100% equity in Mobiquity Inc. and its subsidiaries (together referred to as Mobiquity).

The business combination was conducted by entering into Agreement and Plan of Merger to acquire equity interest in Mobiquity Inc. Further, Company entered into Share Transfer Agreement to acquire equity interest in Mobiquity Softech Private Limited, a subsidiary in India.

Mobiquity Inc. is headquartered in the US, and with a global presence across 3 continents, Mobiquity is a customer experience consulting firm that specializes in creating frictionless multi-channel digital experiences using cloud technologies.

The Company is expected to leverage Mobiquity's capability in customer experience transformation and cloudification. Further the Company is expected to benefit from Mobiquity's customer base in multiple vertical including Banking & Financial services and Healthcare & Insurance verticals.

Purchase price has been allocated as set out below, to the assets acquired and liabilities assumed in the business combination.

Component	Rupees Million
Property plant and equipment	143.54
Cash and cash equivalents	375.14
Trade and other receivables	989.44
Other assets	173.97
Other liabilities	(649.03)
Intangible assets- Customer relationships	2,361.23
Intangible assets- Brand	154.72
Deferred tax liability	(517.80)
<b>Fair value of net assets as on the date of acquisition</b>	<b>3,031.21</b>
Purchase Consideration	12,612.98
<b>Goodwill</b>	<b>9,581.77</b>
Revaluation as on date	328.33
<b>Goodwill</b>	<b>9,910.10</b>

Details of the purchase consideration is as below:

	Rupees Million
Initial upfront cash consideration	9,233.67
Fair value of deferred consideration payable by January 09, 2020	2,070.60
Fair value of contingent consideration payable by October 8, 2020	1,308.71
<b>Total Purchase consideration</b>	<b>12,612.98</b>

The fair value of contingent consideration is determined by discounting the estimated amount payable to the sellers of Mobiquity on achievement of certain financial targets. The key inputs used in determination of the fair value of contingent consideration are the discount rate and the probabilities of achievement of the financial targets.

The Goodwill represents assembled workforce and expected synergies from the combined operations and it is not expected to be tax deductible.

Had the acquisition occurred on January 1, 2019, management estimates that the group's consolidated revenue would have been INR 58,512.69 million and profits would have been INR 6,440.59 million for the year ended December 31, 2019.

The proforma amounts are not necessarily indicative of results that would have been occurred if acquisition occurred on dates indicated or that may result in the future.

The transaction costs of Rs.168.24 million has been included in the statement of profit and loss account and shown as an exceptional item.

Considering the aforesaid business combination, the financials for the year ended and as at December 31, 2019 are not comparable with that of the previous year.

**b Goodwill :**

	Rupees Million
	Total
<b>As at January 1, 2018</b>	<b>1,656.29</b>
Translation exchange rate difference	152.79
<b>As at December 31, 2018</b>	<b>1,809.08</b>
On acquisition during the year (Refer note 6 (a) above)	9,581.77
Translation exchange rate difference	370.03
<b>As at December 31, 2019</b>	<b>11,760.88</b>

Considering the synergies accruing to the CGUs, the Company allocates the carrying value of goodwill allocated to CGUs as follows:

CGUs	December 31, 2019	December 31, 2018
T&T	1,177.54	200.72
BFS	4,533.20	773.37
H&I	2,295.45	322.96
HTPS	1,720.49	235.09
M & C	2,034.20	276.95
<b>Total</b>	<b>11,760.88</b>	<b>1,809.08</b>

Goodwill is tested for impairment on an annual basis. The recoverable amount is higher of its fair value less costs of disposal and its value in use. Considering the assumptions below, there was no impairment as of December 31, 2019.

The estimated value in use of CGUs is based on the future cash flows using a 5% annual growth rate for periods subsequent to the forecast period of 5 years and discount rate of 11.9%

These estimates are likely to differ from future actual results of operations and cash flows.

An analysis of the sensitivity of the computation to a combined change in key parameters (gross margin, discount rates and growth rate), based on reasonably probable assumptions, did not identify any probable scenario in which the recoverable amount of the CGU would decrease below its carrying amount.

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

**7 Other intangible assets**

Rupees Million

Other intangible assets consist of the following:

	<u>Brand</u>	<u>Software licenses</u>	<u>Customer Contracts/Relations</u>	<u>Total</u>
<b><u>COST</u></b>				
At January 1, 2019	-	678.91	-	678.91
Additions	-	50.94	139.63	190.57
Additions on acquisition (Refer note 6(a))	154.72	-	2,361.23	2,515.95
Adjustments	-	61.25	-	61.25
Translation exchange difference	5.30	3.75	101.52	110.57
At December 31, 2019	<u>160.02</u>	<u>794.85</u>	<u>2602.38</u>	<u>3557.25</u>
<b><u>ACCUMULATED AMORTISATION</u></b>				
At January 1, 2019	-	574.32	-	574.32
Amortisation for the year	55.69	67.52	240.46	363.67
Adjustments	-	51.08	(2.01)	49.07
Translation exchange difference	0.83	3.57	20.15	24.55
At December 31, 2019	<u>56.52</u>	<u>696.49</u>	<u>258.60</u>	<u>1011.61</u>
<b><u>NET CARRYING AMOUNT</u></b>				
At December 31, 2019	<u>103.50</u>	<u>98.36</u>	<u>2,343.78</u>	<u>2545.64</u>
<b><u>COST</u></b>				
At January 1, 2018	-	594.75	141.87	736.62
Additions	-	76.48	-	76.48
Disposals	-	-	(130.19)	(130.19)
Translation exchange difference	-	7.68	(11.68)	(4.00)
At December 31, 2018	<u>-</u>	<u>678.91</u>	<u>-</u>	<u>678.91</u>
<b><u>ACCUMULATED AMORTISATION</u></b>				
At January 1, 2018	-	494.07	65.49	559.56
Amortisation for the year	-	74.21	61.14	135.35
Disposals	-	-	(116.02)	(116.02)
Translation exchange difference	-	6.04	(10.61)	(4.57)
At December 31, 2018	<u>-</u>	<u>574.32</u>	<u>-</u>	<u>574.32</u>
<b><u>NET CARRYING AMOUNT</u></b>				
At December 31, 2018	<u>-</u>	<u>104.59</u>	<u>-</u>	<u>104.59</u>

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

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

Rupees Million

	<u>As at</u>	<u>As at</u>
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<b>8 Investments</b>		
<b>A Non-current investments in equity shares (unquoted)</b>		
<u>Investment in associate</u>		
250,000 shares of USD 1/- each in Experis Technology Solutions Pte. Ltd.	25.41	21.31
<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>29.99</u>	<u>25.89</u>
<b>B Current investments in mutual funds (unquoted)</b>		
<u>At fair value through profit or loss account</u>		
Mutual fund units	-	101.28
	<u>-</u>	<u>101.28</u>
<b>9 Loans (Unsecured, considered good)</b>		
<b>A Non-current</b>		
Security deposits for premises and others (a)	412.00	249.20
	<u>412.00</u>	<u>249.20</u>
<b>B Current</b>		
Security deposits for premises and others	7.66	6.53
	<u>7.66</u>	<u>6.53</u>
(a) Exclude deposits aggregating Rs. 34.56 million and Rs. 34.56 million impaired basis the expected credit loss model as of December 31, 2019 and December 31, 2018 respectively.		
<b>10 Other financial assets (unsecured) (considered good)</b>		
<b>A Non-current</b>		
	<u>As at</u>	<u>As at</u>
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Interest accrued on bank deposits	0.57	0.93
Foreign currency derivative assets	49.90	101.43
Restricted bank balances (a)	62.90	34.43
	-	-
	<u>113.37</u>	<u>136.79</u>
(a) Restriction on account of bank deposits held as margin money.		
<b>B Current</b>		
	<u>As at</u>	<u>As at</u>
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Interest accrued on bank deposits	0.22	0.66
Receivable from service provider	15.49	12.80
Foreign currency derivative assets	228.49	94.16
Employee advances	87.24	52.38
	<u>331.44</u>	<u>160.00</u>



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

11	Income taxes	Rupees Million	
		For year ended December 31, 2019	For year ended December 31, 2018
11.1	Income tax expense is allocated as follows:		
	Income tax expense as per the Statement of Profit and Loss	1,379.24	1,431.18
	Income tax included in OCI / Equity 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
	c) Recognised in equity in relation to stock based compensation	22.40	(17.10)
		1,328.23	1,305.04

11.2 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:

	Rupees Million	
	For year ended December 31, 2019	For year ended December 31, 2018
Profit before income-tax	7,792.67	7,265.81
Expected tax expense at the enacted tax rate of 34.994% (Previous year 34.944%) in India	2,723.07	2,538.96
<i><u>Tax effect of adjustments to reconcile expected income tax expense to reported income tax expense:</u></i>		
Income exempt from tax	(1,148.72)	(1,049.82)
Tax effect of non-deductible expenses	39.82	100.67
Tax rate differential at different jurisdictions	(207.24)	(156.82)
Others, net	(27.68)	(1.81)
	1,379.24	1,431.18
Income tax expense recognised in the Statement of Profit and Loss	1,379.24	1,431.18

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

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

11 Income taxes (Contd')  
11.3 Components of deferred taxes as at:

	January 1, 2018	Recognised in profit or loss	Recognised in OCI *	Recognised in equity	December 31, 2018	On Acquisition	Recognised in profit or loss	Recognised in OCI *	Recognised in equity	December 31, 2019
Rupees Million										
<b>Deferred tax assets</b>										
Credit loss on Trade receivables	24.92	9.84	0.82	-	35.58	-	8.23	0.34	-	44.15
Brought forward losses	-	-	-	-	-	161.51	-	5.53	-	167.04
Employee benefit obligations	321.17	(9.39)	20.83	-	332.61	-	16.58	6.31	-	355.50
Provision for severance pay	2.54	(2.55)	0.01	-	0.00	-	-	-	-	0.00
Minimum alternate tax credit carry forward	1,233.77	248.39	-	-	1,482.16	-	153.96	-	-	1,636.12
Share based payment	56.66	42.04	8.26	17.10	124.06	-	(48.03)	3.12	(22.40)	56.75
Unrealised loss on cash flow hedges	-	-	0.89	-	0.89	-	-	39.28	-	40.17
Others	6.79	0.78	0.66	-	8.23	-	3.05	0.21	-	11.49
<b>Total</b>	<b>1,645.85</b>	<b>289.11</b>	<b>31.47</b>	<b>17.10</b>	<b>1,983.53</b>	<b>161.51</b>	<b>133.79</b>	<b>54.79</b>	<b>(22.40)</b>	<b>2,311.22</b>
<b>Deferred tax liabilities</b>										
Unrealised gain (net) on cash flow hedges	116.59	-	(116.59)	-	-	-	-	-	-	-
Depreciation	193.72	6.61	(0.94)	-	199.39	-	38.69	(0.31)	-	237.77
Intangible Assets	-	-	-	-	-	679.31	(64.16)	21.10	-	636.25
<b>Total</b>	<b>310.31</b>	<b>6.61</b>	<b>(117.53)</b>	<b>-</b>	<b>199.39</b>	<b>679.31</b>	<b>(25.47)</b>	<b>20.79</b>	<b>-</b>	<b>874.02</b>
<b>Net deferred tax asset</b>	<b>1,335.54</b>	<b>282.50</b>	<b>149.00</b>	<b>17.10</b>	<b>1,784.14</b>	<b>(517.80)</b>	<b>159.26</b>	<b>34.00</b>	<b>(22.40)</b>	<b>1,437.20</b>

\* Including in foreign currency translation reserve

- (a) Deferred tax liability on temporary differences of Rs. 1,241 million as at December 31, 2019, associated with investments in subsidiaries, has not been recognized, as it is the intention of the parent company to reinvest the earnings of these subsidiaries for the foreseeable future.
- (b) There are unused tax credits as at December 31, 2019 aggregating to Rs. 332.31 million (Rs. 234.06 as at December 31, 2018) for which no deferred tax asset is recognized in the Balance sheet.
- (c) There are unused tax losses amounting to Rs. 1,332.16 million (December 31, 2018 Rs. Nil) for which no deferred tax asset has been recognized as it is not considered probable that there will be future taxable profits available. If these tax losses not utilized would expire on various dates starting from FY 2031.

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

Rupees Million

**12 Other assets (unsecured)**

**A Non-current**

	<u>As at</u> <u>December 31, 2019</u>	<u>As at</u> <u>December 31, 2018</u>
Capital advances	17.41	47.05
Contract asset (Refer note 20.4)	95.11	81.31
Prepaid expenses relating to leasehold land *	527.64	530.30
Other prepaid expenses	59.19	131.09
Indirect taxes recoverable	124.56	112.21
	<u>823.91</u>	<u>901.96</u>

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

**B Current**

	<u>As at</u> <u>December 31, 2019</u>	<u>As at</u> <u>December 31, 2018</u>
Contract asset (Refer note 20.4)	59.62	7.16
Prepaid expenses	742.77	496.28
Indirect taxes recoverable	159.52	79.99
Others	22.47	23.08
	<u>984.38</u>	<u>606.51</u>

**13 Trade Receivables (unsecured)**

	<u>As at</u> <u>December 31, 2019</u>	<u>As at</u> <u>December 31, 2018</u>
Considered good	9,795.61	8,031.00
Considered doubtful	178.20	129.22
Less: Credit impaired	(178.20)	(129.22)
	<u>9,795.61</u>	<u>8,031.00</u>

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

	<u>As at</u> <u>December 31, 2019</u>	<u>As at</u> <u>December 31, 2018</u>
Not due	5,756.42	4,302.66
Due less than 180 days (*)	3,917.91	3,642.17
Due greater than 180 days (**)	121.28	86.17
	<u>9,795.61</u>	<u>8,031.00</u>

\* Net of impairment loss of Rs. 31.43 Million (Previous year 18.37 Million)

\*\* Net of impairment loss of Rs. 146.77 Million (Previous year 110.85 Million)

**Movement in Credit loss**

Balance at the beginning of the year	129.22	102.71
Expense for the year	148.73	126.03
Amounts recovered during the year	(104.17)	(106.92)
Written-off during the year/Exchange rate difference	4.42	7.40
Balance at the end of the year	<u>178.20</u>	<u>129.22</u>

**14 Cash and bank balances**

**A Cash and cash equivalents**

	<u>As at</u> <u>December 31, 2019</u>	<u>As at</u> <u>December 31, 2018</u>
Remittance in transit	85.61	3.21
Cash in hand	0.04	-
In current accounts with banks	2,152.90	7,962.06
Bank deposit accounts with less than 3 months maturity	77.88	85.28
Unclaimed dividend accounts	149.11	154.38
Margin money with banks	62.90	34.43
	<u>2,528.44</u>	<u>8,239.36</u>
Less: Restricted bank balances	(212.01)	(188.81)
	<u>2,316.43</u>	<u>8,050.55</u>

**B Other bank balances**

Restricted bank balances in respect of unclaimed dividend	149.11	154.38
	<u>149.11</u>	<u>154.38</u>

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

Rupees Million  
*(except per share data)*

<b>15 Equity Share Capital</b>	<b>As at</b>	<b>As at</b>
<b>15.1 <u>Authorised capital</u></b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
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
<b>15.2 <u>Issued, subscribed and paid-up capital</u></b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Equity shares of Rs. 2 each, fully paid-up	596.77	594.72
<b>15.3 <u>Reconciliation of number of shares</u></b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Shares outstanding at the beginning of the year	297,360,989	296,803,757
Add: Shares issued during the year	1,023,332	557,232
Shares outstanding at the end of the year	298,384,321	297,360,989
<b>15.4 <u>Rights, preferences and restrictions attached to equity shares</u></b>		
<p>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.</p>		
<b>15.5 <u>Details of shares held by holding company and shareholders holding more than 5% shares</u></b>		
<u>Name of shareholder</u>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
HT Global IT Solutions Holdings Ltd. (Holding Company)	186,318,590	186,318,590
No. of shares held		
% of holding	62.44%	62.66%
HDFC Trustee Company Ltd.	19,927,531	19,274,031
No. of shares held		
% of holding	6.68%	6.48%
<b>15.6</b>	<p>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.</p>	
<b>15.7 <u>Shares reserved for issue under options</u></b>		
<p>The Group 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. 7,824,439 options / RSU's were outstanding as on December 31, 2019 (8,687,324 as on December 31, 2018).</p>		
<b>15.8</b>	<p>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 Rs. 7.00 per share)</p>	

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

Rupees Million

**16 Other financial liabilities**

**A Non-current**

	<u>As at</u> <u>December 31, 2019</u>	<u>As at</u> <u>December 31, 2018</u>
Capital creditors	1.18	-
Foreign currency derivative liabilities	31.40	72.95
Others	12.24	2.69
	<u>44.82</u>	<u>75.64</u>

**B Current**

	<u>As at</u> <u>December 31, 2019</u>	<u>As at</u> <u>December 31, 2018</u>
Unclaimed dividend	149.11	154.38
Capital creditors	419.47	74.93
Deferred consideration (Refer note 6(a))	3,490.46	-
Employee liabilities	2,081.96	1,550.17
Foreign currency derivative liabilities	66.79	135.18
Others	0.03	0.03
	<u>6,207.82</u>	<u>1,914.69</u>

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

**17 Trade and other payables**

	<u>As at</u> <u>December 31, 2019</u>	<u>As at</u> <u>December 31, 2018</u>
Trade payables	2,063.37	1,871.12
Accrued expenses	1,885.78	1,428.78
	<u>3,949.15</u>	<u>3,299.90</u>

**18 Other liabilities**

**Current**

	<u>As at</u> <u>December 31, 2019</u>	<u>As at</u> <u>December 31, 2018</u>
Advance from customers	-	190.12
Unearned revenues	341.64	314.12
Statutory liabilities	614.29	510.04
	<u>955.93</u>	<u>1,014.28</u>

**19 Provisions - Others**

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Provision at the beginning of the year	-	7.67
Paid during the year	-	(6.14)
Adjusted during the year	-	(1.53)
Provision at the end of the year	<u>-</u>	<u>-</u>

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

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

**20 Revenue from operations**

**Rupees Million**

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

	<b>For the year ended</b>	
	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Onshore	62%	65%
Offshore	38%	35%
<b>Total revenue from operations</b>	<b>100%</b>	<b>100%</b>

**20.2** The revenue from contracts as per geography for the year ended 31 December 2019 is disclosed under Note 30.2 (a)

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

	<b>For the year ended</b>	
	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Contracted price	57,078.57	47,675.03
Reductions towards variable consideration components (discounts, rebate)	(1,253.39)	(1,197.41)
<b>Revenue recognised</b>	<b>55,825.18</b>	<b>46,477.62</b>

**20.4 Deferred contract cost**

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

	<b>For the year ended</b>	
	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Balance at the beginning of the year	88.47	-
Cost capitalised during the year	100.25	92.08
Deduction on account of cost amortised during the year	(34.00)	(3.61)
<b>Balance at the end of the year (Refer note 12)</b>	<b>154.72</b>	<b>88.47</b>

**20.5 Changes in unearned revenue are as follows:**

	<b>For the year ended</b>	
	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Balance at the beginning of the year	314.12	217.99
Addition on account of Acquisition	37.46	-
Revenue recognised during the year	(279.40)	(188.09)
Addition during the year	269.46	284.22
<b>Balance at the end of the year</b>	<b>341.64</b>	<b>314.12</b>

**20.6 Transaction price allocated to the remaining performance obligations**

<b>Particulars</b>	<b>As at</b>
	<b>December 31, 2019</b>
Within 1 year	6,031.84
More than 1 year	9,385.73

The Group 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.

**20.7** Refer note 30.3 for information on customer exceeding 10% of total revenue.

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

21 Other income	Rupees Million	
	For the year ended	
	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Dividend	2.93	9.73
Interest income	73.81	53.26
Profit on sale of property, plant and equipment (net)	(1.75)	(1.69)
Liability no longer required written back	0.28	27.39
Miscellaneous income	14.11	16.79
	<u>89.38</u>	<u>105.48</u>

22 Software and development expenses	Rupees Million	
	For the year ended	
	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Software expenses *	9,746.73	8,429.58
Other expenses	2,079.69	1,820.79
	<u>11,826.42</u>	<u>10,250.37</u>

* includes sub- contracting charges	8,675.88	7,870.92
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23 Employee benefits expense	For the year ended	
	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
	Salary and allowances	26,572.39
Contribution to provident, other funds and benefits	2,926.74	2,484.72
Staff welfare expenses	753.60	543.65
Employee stock option compensation cost	26.55	373.74
	<u>30,279.28</u>	<u>24,799.53</u>

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

**23 Employee benefit expenses (cont'd)**

**23.1 Employee benefit plans**

**i) Provident Fund and Superannuation Fund and other similar funds**

**a) In respect of employees in India**

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

The interest rate payable by the Trust to the beneficiaries every year is being notified by the Government. The Company has an obligation to make good the short fall, if any, between the return from the investments of the trust and the notified interest rate. The actuary has accordingly provided a valuation and based on the fund position and assumptions mentioned below, the amount of Rs. 109.80 million has been recognised as Actuarial loss for the year December 31, 2019.

Particulars	Rupees Million	
	December 31, 2019	December 31, 2018
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 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 Group 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 17.00 million (Previous year Rs 14.15 million), respectively.

b) The Group, during the year contributed Rs. 965.28 million (Previous year Rs 810.69 million) towards various other defined contributions plans and benefits of subsidiaries located outside India as per laws of the respective country.



23.2 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 based on the employee's service and last drawn salary at the time of leaving. The employees do not contribute towards this plan and the full cost of providing these benefits are met by the Company. Vesting occurs on completion of specified 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
<b>Change in Defined Benefit Obligation</b>		
<b>Opening defined benefit obligation</b>	<b>717.73</b>	<b>659.05</b>
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)
<b>Closing defined benefit obligation</b>	<b>942.37</b>	<b>717.73</b>
<b>Change in the Fair Value of Assets</b>		
<b>Opening fair value of plan assets</b>	<b>563.90</b>	<b>549.78</b>
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)
<b>Closing fair value of plan assets</b>	<b>599.04</b>	<b>563.90</b>
<b>Net liability as per actuarial valuation</b>	<b>343.33</b>	<b>153.83</b>
<b>Expense charged to statement of profit and loss:</b>		
Current service cost	142.23	140.56
Net interest on defined benefit plan	7.53	4.41
<b>Total Included in Employment expenses</b>	<b>149.75</b>	<b>144.97</b>
<b>Amount recognised in other comprehensive income:</b>		
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
<b>Total amount recognised in other comprehensive income</b>	<b>72.16</b>	<b>(41.45)</b>
<b>Actual return on plan assets</b>	<b>68.69</b>	<b>28.55</b>
<b>Category of assets -Insurer Managed Fund #</b>	<b>599.04</b>	<b>563.90</b>

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

The Company is expected to contribute Rs. 100 million to gratuity funds in the year ending 31st December, 2019.

Financial assumptions at the valuation date	2019	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		December 31, 2018	
	Discount Rate	Salary Escalation Rate	Discount Rate	Salary Escalation Rate
Increase in 50 bps	-2.92%	3.03%	-2.70%	2.82%
Decrease in 50 bps	3.08%	-2.90%	2.84%	-2.71%

These sensitivities have been calculated to show the movement in defined benefit obligation in isolation and assuming there are no other changes in market conditions at the accounting date. There have been no changes from the previous periods in the methods and assumptions used in preparing the sensitivity analyses.

**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 9	83.11
Thereafter	542.07

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

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

24 Operation and Other Expenses	Rupees Million	
	For the year ended	
	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Rent	617.86	444.95
Rates and taxes	47.31	54.54
Travelling and conveyance	1,126.27	930.46
Electricity charges	304.05	249.22
Communication expenses	334.40	265.39
Repairs and maintenance		
- Building	84.69	54.68
- Plant & Machinery	376.90	330.11
- Others	137.44	141.52
Printing and stationery	56.86	37.30
Payment to Auditors	34.81	29.72
Legal and professional fees	260.24	249.89
Advertisement and business promotion	393.04	330.10
Bank and other charges	29.19	24.83
Directors' sitting fees	1.78	2.39
Insurance charges	68.66	60.07
Debts and advances written off	38.55	15.83
Provision for doubtful accounts (net of write back)	28.07	20.12
Staff recruitment expenses	242.32	176.88
Service charges	491.90	404.90
Miscellaneous expenses	262.87	266.63
	<u>4,937.21</u>	<u>4,089.53</u>

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

**25 Earnings per share (EPS)**

The components of basic and diluted EPS:

	For the year ended	
	December 31, 2019	December 31, 2018
Net profit after tax ( Rupees Million )	6,413.43	5,834.63
Weighted average outstanding equity shares considered for basic EPS (Nos.)	298,038,633	296,930,534
Basic earnings per share (In Rupees)	21.52	19.65
Weighted average outstanding equity shares considered for basic EPS (Nos.)	298,038,633	296,930,534
Add : Effect of dilutive issue of stock options (Nos.)	3,861,769	5,245,943
Weighted average outstanding equity shares considered for diluted EPS (Nos.)	301,900,401	302,176,477
Diluted earnings per share (In Rupees)	21.24	19.31
Par value per share (In Rupees)	2.00	2.00

**26 Related party disclosures**

**Names of related parties**

**Ultimate Holding Company and it's subsidiaries**

Baring Private Equity Asia GP V. LP, Cayman Island (Ultimate holding entity) (control exists)

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

**Associate**

Experis Technology Solutions Pte Ltd., Singapore

**Key Management Personnel (KMP)**

**Executive Director and CEO**

R. Srikrishna

**Non-executive directors**

Atul K Nishar

Kosmas Kalliarekos

Jimmy Mahtani

Dileep Choksi (Retired on October 16, 2019)

Bharat Shah (Retired on October 16, 2019)

P R Chandrasekar

Meera Shankar

Christian Oecking (Retired on June 25, 2019)

Basab Pradhan (Retired on June 8, 2019)

**Rupees Million**

Transactions	For the year ended	
	December 31, 2019	December 31, 2018
<b>Associate</b>		
Software and consultancy income	167.24	133.24
<b>Remuneration to KMP and directors</b>		
Short term employee benefits	86.96	92.31
Post employment benefits	1.96	5.52
Share based payment	52.33	51.90
Commission and other benefits to non-executive directors	33.20	43.16

Closing balances	For the year ended	
	December 31, 2019	December 31, 2018
Receivables from associate	57.67	49.83
Payable to / provision for KMP	49.42	74.31

**HEXAWARE TECHNOLOGIES LIMITED**  
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**27 Financial Instruments**

**Rupees Million**

27.1 The carrying value / fair value of financial instruments (other than investment in associate) by categories is as follows:

	Amortised Cost	Fair value through profit and loss	Fair value through other comprehensive income	Derivative instrument in hedging relationship	Total carrying / fair value
<b>December 31, 2019</b>					
Cash and cash equivalents	2,316.43	-	-	-	2,316.43
Other bank balances	149.11	-	-	-	149.11
Trade receivables	9,795.61	-	-	-	9,795.61
Unbilled receivables	3,535.47	-	-	-	3,535.47
Loans	419.66	-	-	-	419.66
Other financial assets	166.42	-	-	278.39	444.81
Investments in equity shares	-	-	4.58	-	4.58
	<u>16,382.70</u>	<u>-</u>	<u>4.58</u>	<u>278.39</u>	<u>16,665.67</u>
Borrowings	1,430.73	-	-	-	1,430.73
Deferred consideration	3,490.46	-	-	-	3,490.46
Trade payables	3,949.15	-	-	-	3,949.15
Other financial liabilities	2,663.99	-	-	98.19	2,762.18
	<u>11,534.33</u>	<u>-</u>	<u>-</u>	<u>98.19</u>	<u>11,632.52</u>
<b>December 31, 2018</b>					
Cash and cash equivalents	8,050.55	-	-	-	8,050.55
Other bank balances	154.38	-	-	-	154.38
Investments in mutual fund units	-	101.28	-	-	101.28
Trade receivables	8,031.00	-	-	-	8,031.00
Unbilled receivables	2,729.85	-	-	-	2,729.85
Loans	255.73	-	-	-	255.73
Other financial assets	101.20	-	-	195.59	296.79
Investments in equity shares	-	-	4.58	-	4.58
	<u>19,322.71</u>	<u>101.28</u>	<u>4.58</u>	<u>195.59</u>	<u>19,624.16</u>
Trade payables	3,299.90	-	-	-	3,299.90
Other financial liabilities	1,782.20	-	-	208.13	1,990.33
	<u>5,082.10</u>	<u>-</u>	<u>-</u>	<u>208.13</u>	<u>5,290.23</u>

Carrying amount of cash and cash equivalents, other bank balances, trade receivables, unbilled receivables, loans, 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.

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

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

**27.2 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:

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<b>Rupees Million</b> <u>Total</u>
<b>December 31, 2019</b>				
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
<b>December 31, 2018</b>				
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	-	208.13	-	208.13

**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.

**HEXAWARE TECHNOLOGIES LIMITED**  
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**27 Financial Instruments (Cont'd)**

**27.3 Financial risk management**

The Group has identified the risks under verticals like Geographic and client concentration risk, credit risk, foreign currency fluctuation risk and liquidity risk. The Group 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 75.64% (year 2018 - 77.55%) of the Group's total revenue. The Group continues to expand its global footprint to diversify geographic concentration though Americas remains largest market for the IT industry. The Group's exposure to the US regions is in line with the global industry practices. The Group 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.

46.69% of the revenue of the year is generated from top 10 clients (previous year - 51.70%). Any loss or major downsizing by these clients may impact Group's profitability. Further, excessive exposure to particular clients will limit Group's negotiating capacity and expose us to higher credit risk.

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

The Group's growth strategy involves a mix of new client addition and mining the accounts of existing clients. As the Group adds 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 Groups transactions are done on credit, the Group 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 Group to credit risk and can impact profitability. Group's maximum credit exposure is in respect of trade receivables of Rs. 9,795.61 million and Rs. 8,031.00 million as at December 31, 2019 and December 31, 2018, respectively and unbilled receivables of Rs 3,535.47 million and Rs. 2,729.85 million as at December 31, 2019, December 31, 2018, respectively.

The Group has adopted an effective receivable management system to control the Days' Sales Outstanding (DSO). Refer Note No 13 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 40.48% of the total outstanding as at December 31, 2019 (47.76% 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.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

**27.3 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 the company enters 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 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:

	<b>USD</b>	<b>EUR</b>	<b>GBP</b>	<b>Others*</b>
Net financial assets	5,959.47	596.88	836.40	778.43
Net financial liabilities	183.08	462.26	487.80	147.61
Net assets/(liabilities)	<u>5,776.38</u>	<u>134.61</u>	<u>348.59</u>	<u>630.82</u>

**Rupees Million**

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

	<b>USD</b>	<b>EUR</b>	<b>GBP</b>	<b>Others*</b>
Net financial assets	6,263.18	447.77	460.34	403.43
Net financial liabilities	79.54	134.61	3.17	11.81
Net assets/(liabilities)	<u>6,183.64</u>	<u>313.16</u>	<u>457.17</u>	<u>391.62</u>

10% depreciation/appreciation of the respective foreign currencies vis-a-vis functional currency of the Company and its subsidiaries would result in the increase/ decrease in Group's profit before tax approximately by Rs. 689.04 million and Rs. 734.56 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 Group 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 Group had outstanding hedging instrument in the form of foreign currency forward contracts as at:

<b>Currency hedged (Sell contracts)</b>	<b>Rupees Million</b>	
	<b>December 31 2019</b>	<b>December 31 2018</b>
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 increase/ decrease in Group's other comprehensive income approximate by Rs. 207.79 million and Rs. 149.56 million for the year ended December 31, 2019 and December 31, 2018 respectively.

**HEXAWARE TECHNOLOGIES LIMITED**  
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**27 Financial Instruments (Cont'd)**

**27.3 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:

	<u>For year ended</u> <u>December 31, 2019</u>	<u>For year ended</u> <u>December 31, 2018</u>
		<b>Rupees Million</b>
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	<u>226.06</u>	<u>(14.86)</u>

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

**Liquidity risk**

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

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

As at December 31, 2019, the Group had total cash, bank balance and investments of Rs. 2,528.44 million (as at December 31, 2018 Rs. 8,340.64 million) which constitutes approximately 6.07% (previous year 26.62%) of total assets.

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

	<u>Less than</u> <u>1 year</u>	<u>1-5 years</u>	<u>Total</u>
<b>As at December 31, 2019</b>			<b>Rupees Million</b>
Trade and other payables	3,949.15	-	3,949.15
Derivative financial liabilities (Refer note 16)	66.79	31.40	98.19
Borrowings (secured)	1.27	1,429.46	1,430.73
Others (Refer note 16)	6,141.03	13.42	6,154.45
<b>Total</b>	<u>10,158.24</u>	<u>1,474.28</u>	<u>11,632.52</u>

	<u>Less than</u> <u>1 year</u>	<u>1-5 years</u>	<u>Total</u>
<b>As at December 31, 2018</b>			<b>Rupees Million</b>
Trade and other payables	3,299.90	-	3,299.90
Derivative financial liabilities (Refer note 16)	135.18	72.95	208.13
Others (Refer note 16)	1,779.51	2.69	1,782.20
<b>Total</b>	<u>5,214.59</u>	<u>75.64</u>	<u>5,290.23</u>

**Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates. The balance with banks is in the form of fixed interest rate deposits.

1% increase/ decrease in LIBOR rate would result in the increase/ decrease in Group's profit before tax approximately by Rs. 7.51 million and Nil for the year ended December 31, 2019 and December 31, 2018 respectively.

**Capital management**

The Group'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**  
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**28 Lease**

The Group takes on lease offices 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 Consolidated Statement of Profit and Loss for the year are Rs. 617.86 million (Previous year Rs. 444.95 million).

The future minimum lease payments and payment profile of the non-cancellable operating leases as at December 31:

Particulars	Rupees Million	
	2019	2018
Not later than one year	649.09	392.67
Later than one year and not later than five years	2,100.84	1,014.44
Later than five years	1,004.53	946.63
<b>Total</b>	<b>3,754.47</b>	<b>2,353.74</b>

**29 Employee share based compensation**

29.1 The Remuneration and Compensation 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 Units (RSU) entitling them to one equity share of Rs 2/- each for each option granted. Exercise price is the market price of the shares of the Company at the grant date or the price determined by the Committee. During the year, the Company extended the vesting period (at an option of the RSU holder) by one year for the certain RSU's holders, The modification did not have material impact. The Options / RSU's vest over a period of 1 to 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.

**29.2 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	- (179,250)	- (66.07)	2,504,955 (2,904,239)	2.00 (2.00)	6,182,369 (6,583,746)	2.00 (2.00)	8,687,324 (9,667,235)	2.00 (3.19)
Granted during the year	- (-)	- (-)	- (-)	- (-)	1,827,746 (613,725)	2.00 (2.00)	1,827,746 (613,725)	2.00 (2.00)
Exercised during the year	- (51,000)	- (67.07)	189,450 (231,214)	2.00 (2.00)	833,882 (275,018)	2.00 (2.00)	1,023,332 (557,232)	2.00 (7.96)
Lapsed during the year	- (128,250)	- (65.67)	469,789 (186,670)	2.00 (2.00)	1,197,510 (721,484)	2.00 (2.00)	1,667,299 (1,036,404)	2.00 (9.88)
Outstanding as at the end of the year	- (-)	- (-)	1,845,716 (2,486,355)	2.00 (2.00)	5,978,723 (6,200,969)	2.00 (2.00)	7,824,439 (8,687,324)	2.00 (2.00)
Exercisable as at the end of the year	- (-)	- (-)	161,820 (51,150)	2.00 (2.00)	668,482 (503,191)	2.00 (2.00)	830,302 (554,341)	2.00 (2.00)

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

\* Previous year figures are given in brackets

**29.3 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
2.00	7,824,439	32	8,687,324	30
<b>Total</b>	<b>7,824,439</b>		<b>8,687,324</b>	

**29.4 The fair values of RSU's granted in year 2019 and 2018 are determined using Black Scholes Option pricing model using following principal 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 option/RSU granted.

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

**30 Segment disclosures**

30.1

The reportable business segments have been identified taking into account the services offered to customers globally operating in different industry segments based on management approach. The Chief Operating Decision Maker evaluates the Group's performance and allocates resources based on analysis of various performance indicators by below business. The Group's organization structure reflects the industry segmentation. Following are the business segments:

- (i) Travel and Transportation (T & T)
- (ii) Banking and financial services (BFS)
- (iii) Healthcare and Insurance (H & I)
- (iv) Professional services (PS)
- (v) Manufacturing and Consumer (M & C)

<b>Segment results for the year ended December 31, 2019</b>						<b>Rupees Million</b>
	<b><u>T &amp; T</u></b>	<b><u>BFS</u></b>	<b><u>H &amp; I</u></b>	<b><u>HTPS</u></b>	<b><u>M &amp; C</u></b>	<b><u>Total</u></b>
Revenue	5,589.40	21,517.68	10,895.79	8,166.61	9,655.70	55,825.18
Expenses	(4,531.95)	(19,084.73)	(8,793.46)	(6,765.34)	(7,867.43)	(47,042.91)
Segment profit	<u>1,057.45</u>	<u>2,432.95</u>	<u>2,102.33</u>	<u>1,401.27</u>	<u>1,788.27</u>	<u>8,782.27</u>
Less: Depreciation and amortisation						(1,033.53)
Add: Exchange rate differences						192.71
Add: Other income						89.38
Less: Interest expense						(74.02)
Less: Exceptional item - Acquisition related costs						(168.24)
Add: Share in net profit of associate						4.10
<b>Profit before tax</b>						<u><b>7,792.67</b></u>
Less: Tax expense						<u>(1,379.24)</u>
<b>Profit after tax</b>						<u><b>6,413.43</b></u>

<b>Segment results for the year ended December 31, 2018</b>						<b>Rupees Million</b>
	<b><u>T &amp; T</u></b>	<b><u>BFS</u></b>	<b><u>H &amp; I</u></b>	<b><u>HTPS</u></b>	<b><u>M &amp; C</u></b>	<b><u>Total</u></b>
Revenue	5,156.64	19,868.87	8,297.23	6,039.65	7,115.23	46,477.62
Expenses	(4,010.90)	(17,228.57)	(6,920.02)	(5,224.91)	(5,755.03)	(39,139.43)
Segment profit	<u>1,145.74</u>	<u>2,640.30</u>	<u>1,377.21</u>	<u>814.74</u>	<u>1,360.20</u>	<u>7,338.19</u>
Less: Depreciation and amortisation						(650.55)
Add: Exchange rate differences						471.45
Add: Other income						105.48
Less: Interest expense						(0.42)
Less: Share in net profit of associate						1.66
<b>Profit before tax</b>						<u><b>7,265.81</b></u>
Less: Tax expense						<u>(1,431.18)</u>
<b>Profit after tax</b>						<u><b>5,834.63</b></u>

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

**30 Segment disclosures (Cont'd)**

**30.2 Geographic disclosures**

- (a) The Group's primary source of revenue is from customers in Americas region (primarily USA) and Europe region.

	<b>Rupees Million</b>	
	<b>For the year ended</b>	
	<b><u>December 31,</u></b>	<b><u>December 31,</u></b>
	<b><u>2019</u></b>	<b><u>2018</u></b>
Americas	42,225.03	36,042.93
Europe	8,537.21	5,920.95
APAC	5,062.94	4,513.74
<b>Total</b>	<b><u>55,825.18</u></b>	<b><u>46,477.62</u></b>

- (b) The information regarding geographical non-current assets is as follows:

	<b>Rupees Million</b>	
	<b>As at</b>	
	<b><u>December 31,</u></b>	<b><u>December 31,</u></b>
	<b><u>2019</u></b>	<b><u>2018</u></b>
Americas	11,201.41	1,902.80
Europe	1,159.21	186.20
APAC	10,249.17	7,180.32
<b>Total</b>	<b><u>22,609.79</u></b>	<b><u>9,269.32</u></b>

**30.3 Customer information**

Customer accounting for the revenue in excess of 10% of the Group revenue:

		<b>Rupees Million</b>	
		<b>For the year ended</b>	
<b>Customer</b>	<b>Segment</b>	<b><u>December 31,</u></b>	<b><u>December 31,</u></b>
		<b><u>2019</u></b>	<b><u>2018</u></b>
Customer A	BFS	-	6,120.56
Customer B	PS	6,594.89	4,957.34
Customer C	BFS	-	4,949.28

All of above are categorised in Americas geography.

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

**31 Contingent liabilities and Commitments**

**Contingent liabilities**

- a. Claims not acknowledged as debt amounts to Rs. 28.14 million (Rs. 28.14 million as on 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.
- b. 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. Accordingly, no provision against such demand is considered necessary.

The above does not include all other obligations resulting from customer claims, legal pronouncements having financial impact in respect of which the Company generally performs the assessment based on the external legal opinion and the amount of which cannot be reliably estimated.

**Commitments**

- c. Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances) as at December 31, 2019 is Rs. 171.51 million (As at December 31, 2018 Rs. 390.50 million). For lease contract related related commitment Refer note 28.

**32 Borrowings**

The non current borrowing represents LIBOR based term loan from a bank repayable at the end of 3 years.

The current borrowing represents LIBOR based working capital facility repayable on demand.

Both the above borrowing are secured by way of charge on the current assets of Hexaware Technologies Inc.

- 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 amendments or disclosure to these consolidated financial statements except the matter mentioned below:

The Board of Directors, at its meeting held on February, 11, 2020 have proposed final dividend of Rs. 2.50/- per equity share (125%) subject to approval of shareholders at Annual General Meeting. If approved as aforesaid, 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 the financial statements**

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

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

*As per our report of even date*

**For B S R & Co. LLP**

Chartered Accountants

Firm registration number: 101248W/W-100022

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

**(CIN : L72900MH1992PLC069662)**

**Rajesh Mehra**

Partner

Membership number: 103145

Mumbai, dated February 11, 2020

**R. Srikrishna**

(CEO & Executive Director)

(DIN-03160121)

**Meera Shankar**

(Director)

(DIN-06374957)

**HEXAWARE TECHNOLOGIES LIMITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENT**

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

**Kosmas Kalliarekos**  
(Director)  
(DIN-03642933)

Mumbai, dated February 11, 2020

**Vikash Kumar Jain**  
(Chief Financial Officer)

**Gunjan Methi**  
(Company Secretary)