

Directors' Report

To

THE MEMBERS,

The Directors are pleased to present their Twenty Sixth Annual Report, on the business and operations of Hexaware Technologies Limited (hereafter referred to as 'the Group' or 'The Company') together with audited financial statements for the financial year ended December 31, 2018.

The financial statements are prepared in accordance with Indian Accounting Standards ('Ind AS'). In accordance with the notification issued by Ministry Corporate Affairs, the Group had adopted Ind AS with effect from January 1, 2017.

Financial Performance:

Consolidated Operations:

	(USD million)	
	FY 2018	FY 2017
Income from Operations	677.67	607.49
EBITDA before ESOP/ RSU cost	112.12	106.41
EBITDA after ESOP/ RSU cost	106.65	101.02
Profit from Operations *	97.14	91.26
Profit before Tax	105.67	98.75
Profit after Tax including share in profit of associate	84.86	77.03
Total Customers	224	221
Average account size	3.03	2.75

	(₹ million)	
	FY 2018	FY 2017
Income from Operations	46,477.62	39,420.14
EBITDA before ESOP/RSU cost	7,711.93	6,901.14
EBITDA after ESOP/RSU cost	7,338.19	6,551.64
Profit from Operation *	6,687.64	5,918.87
Add: Exchange Rate Gain (net)	471.45	449.62
Add: Other Income	105.48	35.82
Less: Interest	(0.42)	(1.19)
Profit before share in profit of associate	7,264.15	6,403.12
Add: Share in profit of associate	1.66	2.70
Profit before Tax	7,265.81	6,405.82
Less: Provision for Taxation	1,431.18	1,410.56
Profit after Tax	5,834.63	4,995.26
Other Comprehensive Income (OCI)	122.22	91.86
Total Comprehensive Income	5,956.85	5,087.12

* excludes Exchange Rate Difference, Interest, Other Income and Provision for Taxation

India Operations:

	(₹ million)	
	FY 2018	FY 2017
Income from Operations	17,940.25	15,241.07
EBITDA after ESOP/RSU cost	5,470.42	4,894.66
Profit from Operations *	4,976.35	4,401.30
Add: Exchange Rate Gain (net)	516.82	537.40
Add: Other Income	24.95	29.16
Less: Interest	(0.28)	(0.62)
Profit before Tax	5,517.84	4,967.24
Less: Provision for Taxation	988.25	857.64
Profit after Tax	4,529.59	4,109.60
Add: Balance brought forward from previous year	7,948.96	4,886.20
Other Comprehensive Income (OCI)	33.00	84.53
Add: Transfer from Special Economic Zone Reinvestment Reserve	297.25	487.22
Balance available for appropriation	12,808.80	9,567.55
Appropriation		
Interim dividend including tax on dividend	2,506.03	1,428.09
Transfer to Special Economic Zone Reinvestment Reserve	749.63	178.35
Expense on buyback of shares	-	12.15
Balance carried to Balance Sheet	9,553.14	7,948.96

Results of Operations

a) Consolidated Operations:

Income from operations increased to ₹ 46,477.62 million in 2018 from ₹ 39,420.14 million in 2017, growth of 17.9%. The growth in Dollar terms was 11.6%, reaching USD 677.67 million in 2018 from USD 607.49 million in 2017. Revenue in constant currency was USD 677.41 million in 2018, growth of 11.5%. Growth was driven largely by volume increase, aided by higher onsite mix.

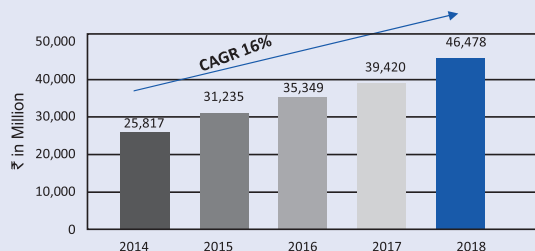
EBITDA after RSU costs increased to USD 106.65 million in 2018 compared to USD 101.02 million in 2017, growth of 5.6%. In INR terms, it saw growth of 12.0% and increased to ₹ 7,338.19 million in 2018 compared to ₹ 6,551.64 million in 2017.

Profit from Operations (profit before Exchange rate difference, Interest, Other income and Provision for taxation) was at ₹ 6687.64 million in 2018 as against ₹ 5,918.87 million in 2017, growth of 13.0%.

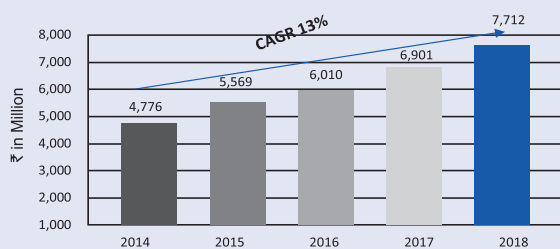
Profit before tax grew 13.4% to ₹ 7,265.81 million in 2018 compared to ₹ 6,405.82 million in 2017.

Profit after tax stood at ₹ 5,834.63 million in 2018 as compared to a profit of ₹ 4,995.26 million in 2017, growth of 16.8%. PAT margins in INR terms were at 12.6% in 2018 compared to 12.7% in 2017.

Income from operations



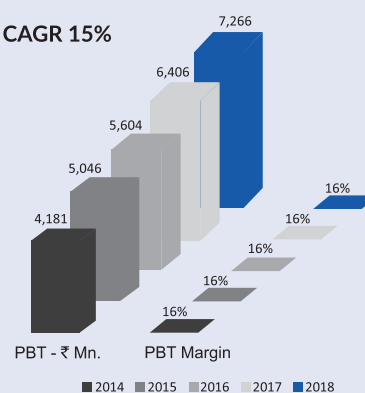
EBITDA before RSU cost



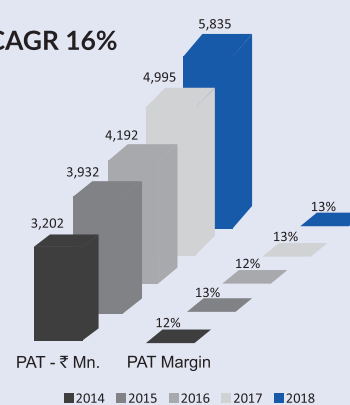
FY 2014 to 2015 are as per previous GAAP and not strictly comparable with FY 2016, 2017 & 2018 which is as per Ind AS

PROFITABILITY

PBT Margin: CAGR 15%



PAT Margin: CAGR 16%



Material changes from end of financial year till date of report

There are no material changes and commitments, affecting the financial position of the Company which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of the report.

Company's major achievements in 2018

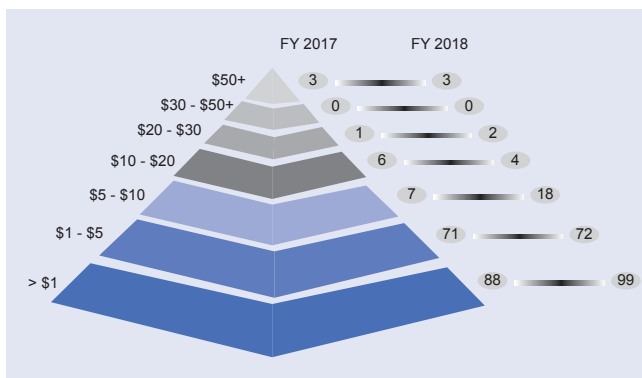
The Company to maintain its growth momentum of double digit growth with year-on-year growth both in revenue and profits.

- ✓ In 2018, growth in revenue over 2017 was 17.9% in INR terms and 11.6% in USD terms.
- ✓ EBITDA after ESOP/RSU cost grew 12.0% in INR terms during the year 2018.
- ✓ Profit for the year grew at 10.2% in USD terms and 16.8% in INR terms.
- ✓ Diluted EPS grew by 16.6% in 2018 over 2017.
- ✓ Return on net-worth continues to be above 26.5%.

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Over the past few years the focus has been on adding and growing clients with meaningful revenue base. This has led to revenue growth being higher than growth in number of accounts, leading to increased revenue per client. In 2018, the Company added 1 client to the \$20-\$30 million category, 11 in the \$5-\$10 million category. Significant expansion in the \$5-\$20 million revenue category was a real highlight for the Company. Overall the Company added 11 clients in the > \$1M category.

Revenue from top 5 customers has increased by 5%, from next 5 increased by 3% and from next 10 increased by 13%. The Company is poised to see the shaping of pyramid.



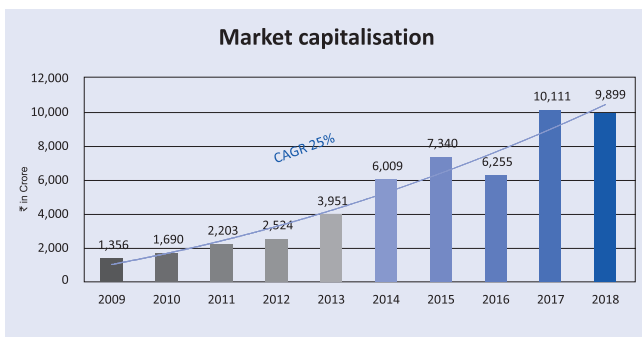
b) India operations:

In the year 2018, the revenue of the standalone legal entity increased by 17.7% to ₹ 17,940.25 million in comparison with revenue of ₹ 15,241.07 million in the previous year. The net profit after tax was ₹ 4,529.59 million as compared to ₹ 4,109.60 million in 2017 showing growth of 10.2%.

Share capital

The paid-up Share Capital of the Company as on December 31, 2018 was ₹ 594.72 million comprising of 297,360,989 Equity Shares of ₹ 2/- each. During the year 557,232 shares were exercised under different ESOP schemes.

The market capitalization of the Company as on December, 31, 2018 was at ₹ 98991.47 million (USD 1418.72 million). The market capitalization is calculated on the basis of closing prices of ₹ 332.90 on The National Stock Exchange and the closing exchange rate of 1 USD = ₹ 69.7750 as at December 31, 2018.



Other equity (Reserve and surplus and other comprehensive income)

The Standalone total other equity increased to ₹ 16,776.08 million as compared to ₹ 14,823.34 million as of FY 2017, increased of ₹ 1,952.74 million.

The Consolidated other equity increased to ₹ 23,323.93 million as compared to ₹ 19,479.14 million as of FY 2017, increased of ₹ 3,844.79 million.

The Securities premium reserve balances stood at ₹ 3635.69 million.

The balance of the Retained earnings after the appropriations for the year is ₹ 9553.14 million.

Forex Mark-To-Market: The year-end cash flow hedging reserve (net of tax) stood at a loss of ₹ 14.86 million, as compared to a gain of ₹ 465.83 million in the previous year recognised in accordance with the hedge accounting provision of IndAS 109 Financial Instruments.

The Company recorded ₹ 991.75 million in Employee stock named as Share options outstanding a reserve being amortisation of compensation cost of RSUs granted to the employees of the Group.

There was no transfer to General reserve during the year. The general reserve balance as at the end of the year is ₹ 2,117.71 million

Dividend

During the year 2018, the Company paid ₹ 2,506.03 million in aggregate by way of four interim dividends on equity shares, Q4 2017 - ₹ 1.00 (50%), Q1 2018 - ₹ 1.00 (50%), Q2 2018 - ₹ 2.50 (125%), Q3 2018 - ₹ 2.50 (125%) totalling to ₹ 7.00 per share (350%).

The Board of Directors at its meeting held on January 30, 2019 declared interim dividend of ₹ 2.50 (125%) for the Q4 2018, with this the total dividend declared for the year 2018 aggregated to ₹ 8.50 (425%) per share.

The Board of Directors have not recommended payment of any final dividend and interim dividends as aforesaid be considered as final.

The break-up of dividend paid is as under: (₹ in million)

	Q1	Q2	Q3	Q4	Total
Dividend	296.84	296.85	742.14	743.4	2,079.23
Tax	60.43	61.02	152.55	152.80	426.80
Total	357.27	357.87	894.68	896.21	2,506.03

In accordance with Regulation 43A of the Listing Regulations, the Company has formulated a 'Dividend Distribution Policy' and details of the same have been uploaded on the Company's website at [http:// hexaware.com/investors/](http://hexaware.com/investors/)

Particulars of loan, guarantee or investments

Loan, guarantees and investments covered under section 186 of the Companies Act, 2013 form part of the notes to the financial statements provided in this Annual Report. Please refer note no. 6A, 6B, 8A, 8B and note no. 23 of Standalone Financial Statements.

Subsidiaries and associates

During the year 2018, the Company has made an initial investment in the wholly owned Subsidiary as given below:

Sr. No.	Name of Company	₹ in Million
1	Hexaware Information Technology (Shanghai) Limited	3.71

During the year, the Company has closed two Subsidiary Companies, M/s. Hexaware Technologies Do Brazil Limited w.e.f July 24, 2018 and Step down subsidiary M/s. Digitech Technologies Inc w.e.f September 27, 2018.

In accordance with Section 129(3) of the Companies Act, 2013, consolidated financial statement of the Company and all its subsidiaries, forms part of the Annual Report. Further, a statement containing the salient features of the financial statement of our subsidiaries in the prescribed format AOC - 1 is appended as **Annexure 1** to the Board's report. The statement also provides the details of performance, financial positions of each of the subsidiaries.

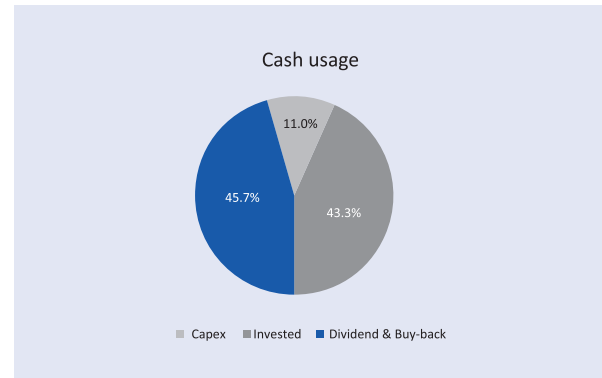
In accordance with Section 136 of the Companies Act, 2013, the audited financial statements, including the consolidated financial statements and related information of the Company and audited financial statements of each of its subsidiaries, are available on our website www.hexaware.com. These documents will also be available for inspection during business hours at the registered office of the Company.

Cash Flow

The cash generated from operations in 2018 was ₹ 5,487.03 million. The Company has invested ₹ 608.68 million in property, plant and equipment and intangible assets, mainly for new development centre in Chennai and Pune. During the year, the Company paid dividend including dividend tax of ₹ 2,506.03 million.

The Company has received ₹ 4.24 million from issue of shares. As of December 31, 2018 the cash position of the Company was ₹ 8,340.64 million including the restricted bank balance

and Mutual Fund investments (cash equivalent), equivalent to USD 119.54 million . The total cash & bank balance was at ₹ 8,050.55 million equivalent to USD 115.38 million.



Business Strategy – The details on Business Strategy are provided on page 1, 12, 13 & 14 of the Annual report.

Delivery Centers

India based Global Delivery Centres (GDC)

Mumbai:

The Company has two Offshore Development Centers (ODCs) at Millennium Business Park in Mahape, Navi Mumbai. One of these is the registered office of the Company. Both these ODC's houses around 1100 employees.

The Company's BPS arm operates out of two service centers in the same complex, with around 1800 employees providing BPS services to its global clients in shift mode.

The Company has also taken premises on long-term lease for its IT and BPS operation in the SEZ facility named Loma IT Park, Ghansoli, Navi Mumbai with seating capacity of 1850 employees including for BPS operations. There are around 1400 employees working from this center.

Chennai:

There are around 4800 IT professional employees working from the Company's 27acre campus in Chennai. This campus houses employee-friendly amenities like recreation center, library and gymnasium facilities – offering plenty of avenues for relaxation and rejuvenation as well as knowledge enhancement through Hexavarsity – the Company's in-house Learning and Development University.

The Company's Chennai "green campus" conforms to eco-friendly norms and regulations, like optimal use of solar energy, use of eco- friendly building materials and a judicious spread of landscaped spaces around seating facilities across various levels.

The said green campus also houses state of the art customer experience center.

Currently seating capacity is expanded to 5,500 seats in Phase 1. The Phase 2 will add 3,300 seats.

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The BPS arm also operates out of another two facilities in Chennai of which one is in SEZ with seating capacity of 1739. The combined strength of around 830 employees operates from the facilities.

Pune:

In Pune, the Company has own SEZ campus at Hinjewadi. The first phase of this campus has seating capacity of 1900 seats. Around 650 IT and BPS employees are currently operating from this campus.

Nagpur:

The Company owns 20 acres of land in MIHAN SEZ, Nagpur, a tier II city. This facility is currently operational with around 807 BPS employees and has seating capacity to accommodate 1104 professionals in different shifts.

Bengaluru:

This facility in India's IT capital of Bengaluru has capacity of 50 seats. This facility is currently operational with around 27 employees.

Coimbatore:

Hexaware BPS arm has a facility in Coimbatore with seating capacity of 256 employees and around 196 BPS employees are working from this facility for providing BPS services to its global clients in shift mode.

Noida:

The Company has opened New Delivery Centre at Noida. It has seating capacity of 32 employees. This delivery Centre is in operation at its 100% capacity.

Overseas Global Delivery Centres

New Jersey (USA):

The Company has GDC at New Jersey, USA with seating capacity of 64 employees and currently 40 IT Professional Employees are working from this delivery center.

Alpharetta, GA (USA):

The Company has GDC at Alpharetta in the state of Georgia, USA with seating capacity of 166 employees and currently 83 IT Professional Employees are working from this delivery center.

Dunwoody, GA (USA):

The Company has GDC at Dunwoody in the state of Georgia, USA with seating capacity of 211 and currently 191 IT Professional employees are working from this delivery centre.

Reston, Virginia (USA):

The company has delivery centre at Sunrise Valley in the state of Virginia with seating capacity of 70 and currently 35 IT Professional employees are working from this delivery centre.

Amsterdam (Netherlands):

The Company has GDC at Amsterdam with seating capacity of 12 and currently 08 IT Professional employees are working from this delivery centre.

Mexico:

The Company has a strong presence in Mexico with a near-shore Delivery Centre at Saltillo with employee's seating capacity of 487. While Mexico offers cost competitiveness compared to the United States of America, the country also provides immense benefits in the form of same time zone, enables immediate response and access to a vast talent pool and an untapped emerging market. The Company intends to leverage its near shore Delivery Centre to cater to several global clients as an addition to the other existing options of continuing operations in the USA or in the Company's locations in India. Currently around 427 IT and BPS professional employees are working from this delivery centre.

The Company also has Global Delivery Centre at Monterrey, Mexico with seating capacity of 54 and currently 30 IT professional employees are working from this delivery centre

Tver (Russia):

The Company has a center in Russia for its BPS operation which has a seating capacity of 156 employees. Currently around 120 employees are working from this location for providing BPS services to a Global Client.

China:

The Company has center in Guangzhou and Shanghai, China for its BPS operations with a small office.

Human Resource Capital

Human Resource Capital and the value that it creates form a big part of Hexaware's growth story. The industry today is changing rapidly with many disruptive business models necessitating a need for human capital to adapt in an agile manner. Automation and digitization have become buzzwords today. The focus of the Company has been to leverage digital re-imagination to drive growth and efficiency of its business models, products and services, business processes as well as the workplace. This helps the Company to deliver a superior experience to every key stakeholder, viz. customers, employees, investors and the community at large.

Exceeding customers' expectations requires a high level of focus, competence and technical expertise. The Company strengthened its recruitment efforts through continued employee referrals, job fairs, social media & campus recruitment drives. Over the last year, the Company has added 2500 employees, taking the total strength to 16205 as at December 31, 2018 from 13705 at the end of the previous year. The Company is focused towards attracting and retaining high calibre employees through comprehensive Hiring and on-going Deployment processes. Gender Diversity

is more evident now with a healthy 31.05% of our workforce being women.

The Company takes pride in its continued focus on employee retention. In its sustained efforts to make Hexaware a Great Place to Work, the focus has been on furthering employees' career aspirations. The Company believes that its workforce lives its brand and to that end the HR team is always working on initiatives that helps build an engaging organization. Today, the youthfulness and the agility in its talent reflects the new brand identity of Hexaware.

To sustain its Human Capital Strategy, the Company has identified and consolidated strong performance indicators. This has led to an increased focus on accountability and ownership from all.

Hexaware conducted the EMPPOWER survey, an employee engagement survey in collaboration with Great Place to Work®. Hexaware has invested in building a better workplace and the survey analysis will help the Company to precisely measure the underlying level of trust within the Company and help it to take steps to improve the work environment through the qualitative and quantitative data that the Company has collected.

The EMPPOWER survey closed with a good response and resulted in an increase in the overall rating to 3.74 from 3.66 in 2017. The rating on the overriding question also increased to 3.86 from 3.79 in 2017.

The Company is committed to remain focused on its journey to be in the ranked list of Great Places to Work and this year's rating will further boost the chances and help the Company make measurable and impactful changes for employee engagement and welfare.

Talent Management - Asset Development

The Company believes that great talent is the biggest source of competitive advantage. Keeping its talent pool at the centre of all the management strategies is prime focus of the Company. And the senior leadership team is clear in its expectations from the vast reservoir of talent that the Company has.

The Company's focus is to develop a strong internal pipeline of talent and to provide a platform for talented individuals to shine, innovate and create value for our clients. The company focusses on Talent Management through interventions at every step of the way, right from Hiring to Retention.

The Company believes that appreciation propels people to give their best at work and the robust Rewards & Recognition portal of the Company bears testimony to that. Managers are continuously encouraged to ingrain a culture of appreciation and nominate deserving employees for awards such as Spot/Ace/Star, Best Debutant and Best Team etc. Winners are guaranteed global recognition in the Hexaware world creating a memorable employee experience that is paramount to our Rewards & Recognition strategy. The Company has also

linked this system to the Performance Management System.

To help smoothen the process of Performance Management and to familiarize the people with the nuances of its tool, the Company has regular connect sessions and specific learning modules designed by the HR team. The Performance Management System has an inbuilt structured and streamlined process to objectively evaluate one's performance against pre-defined goals. The new dynamic Project End Feedback system ensures that consultants get feedback for every project that they work on and are aware of their areas of improvement.

The Company focuses on holistic employee development. In its quest for consistency and excellence, the Company rewards its top performers and one of its exclusive clubs continues to be the High Performers Club (HPC) program, the membership to which is restricted only to consistent top achievers.

Another popular initiative that helps the Company tap into the collective intelligence of its talent is Brainbox. This is a platform for the consultants to post ingenious ideas that go a long way in helping the customers save time and money.

Employee Engagement is a binding force that helps the Company work globally. The Company understands the need for employees to connect with the Hexaware world on a global platform and the internal social networking tool, Facebook@ Work helps to collaborate, brainstorm, provide real-time feedback and communicate with the leaders directly. The Fun Work activities throughout the year helps the consultants to relax, rewind and rejuvenate themselves. These activities run by the different Funsters groups along with unit picnics, project lunches, ODC based fun initiatives are all geared towards team bonding and strengthening the common goal of working together as one Hexaware despite being spread out in various locations worldwide.

Hexaware's structured talent development programs through various initiatives such as Challenger, Catapult, Distinguished Engineers and other learning and development programs fully help in leveraging talents of the employees.

Hexaware's Talent Management approach is to bring about transformation and growth opportunities for its consultants keeping in mind the evolving industry trends and people practices pivots on a culture that embraces and nurtures talent, rewards top performance and focusses on Customer delight.

Detailed Description of key HR initiatives are given on page 26 & 27 of the Annual Report.

Information Security

Information Security is considered an enabler of business assurance at the board level today and hence its governance and management are of paramount importance to the Company. Beyond compliance, being the expectation of the customers in today's competitive business, managing dynamic

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landscapes of threats and vulnerabilities is key to information security assurance. The business operations of the Company being aligned with the technology adoption of cloud, virtualization, innovation, Artificial Intelligence, Robotics, Machine Learning, Deep Learning, Digital Transformation and more, along with industry best practices of security being a core strength. Substantial investment by the Company in security through latest tools, systems and devices provides competitive advantage as well as Nextgen and Hybrid security cover to business operations of the Company. Information security management through Confidentiality, Integrity and High Availability are being time tested by external certification audits and assessments throughout the year as per ISO and Industry standards. The governance review of Information security management encompasses all measures recommended and expected by the international standards, legal and regulatory requirements and also the customer contracts. Initiatives on Threat intelligence, risk hunting and automated discovery of vulnerabilities have strengthened the security and minimized the risk during the year elapsed. External assessment and expert guidance on GDPR compliance, adoption of latest frameworks and strategies to strengthen the security program were also highlights of the recent past, as part of the continuous improvement strategy of the Company. Cyber Security resilience to manage various technical, man-made, natural and perceived scenarios are part of Company's business continuity management program. Role based security education and timely awareness on emerging security challenges are important features of security trainings imparted to the employees, contractors and associated resources.

Quality Assurance

The Company has sustained its commitment to the highest levels of quality, best-in-class service management, robust information security practices and mature business continuity processes that have collectively helped achieve significant milestones during the year. While sustaining existing external benchmarks and certifications, the Company has added new certifications and further enhanced its programs and initiatives.

The Company continues to adhere to international quality standard certifications such as ISO 9001-2015, ISO 27001:2013, ISO 20000-1:2011, CMMI - DEV & SVC Version 1.3 - Level 5, ISAE3402 and SSAE16 SOC-2 Type II.

The Company commissioned a survey on customer delight for 2018 by Feedback Insights, an independent market research firm to capture customer expectations and measure customer experience. On a scale of -100 to 100, the Company scored the highest score of 74.4 as against an industry score ranging from 53.6 to 74.4. There is significant improvement across key business metrics, as well as in the overall score of 53.0 achieved in fiscal 2015.

Benefits to customers:

"Brain Box" is the platform to encourage the employees to bring their ideas, value addition to the customers and systematically manage the ideation process.

The Company harnesses the power of knowledge gained by its employees working on their customer accounts, by encouraging them to create value addition ideas. In the year 2018, **61%** of the employees have proudly participated in this initiative and have posted over **3888 ideas** proposing value additions under categories like bring automation / productivity improvement, financial savings, and accelerate the time to market the customer's products and services. **2676** of these ideas have been successfully delivered generating saving of over **USD 71.15 million** and around **1,496,386** hours of effort saved last year, which is being approved by esteemed customers of the Company. The Brain Box platform has promoted the culture of deep expertise, value creation attitude, extraordinary proficiency in the customer's business function, technical engineering, knowledge sharing and problem solving approach thereby identifying and delivering values to the customers at no extra cost to them. Through a structured governance and rewards program, the company suitably rewards its employees' passion and best values adds on quarterly basis, which is personally driven by the CEO, which made more and more employees becoming part of this CVA culture.

The customers / clients have benefited as a result of the fewer defects, reduction in cycle time and improved delivery capabilities. Hexaware has provided value-additions through improvement in the performance of the systems that have been outsourced, a reduction in the problems and failures, and improved stability. This has resulted in high levels of customer satisfaction and repeat business. Implementing the processes has trained the organization and people to be methodical and process-driven. The Company has introduced and improved upon best-of-breed industry practices and standards and thereby improved our delivery capability. Focus on quality has led to lower costs and improved efficiency within the organization.

The customers have benefited as a result of the high quality of delivery and support, stringent information security practices and flexible and proactive approach. The Company's understanding of customer's business and technology landscape enables it to provide comprehensive multi-service solutions along with cost reduction for the customer. This has resulted in high levels of customer delight and repeat business. Implementing the best in class processes and providing training on it has enabled the organization and people to be methodical and process driven. The usage of latest technologies and industry best practices has improved delivery capability and added business value. Focus on quality and automation has resulted in cost reduction and improved productivity within the organization.

Company focused on Corporate Governance

The composition of the Board of Directors of the Company represents an optimum combination of professionalism, knowledge and experience. The Board comprises of ten (10) Directors, of these, nine Directors are Non-Executive and six amongst them are Independent Directors. Directors being eminent professionals in their respective fields with rich experience in policy-making and strategy formulation. All the major committees of the Board are headed by Independent Directors, and the Company has followed Cadbury Committee's and Kotak Committee's recommendation of having two different individuals as Chairman & CEO for several years. The Company was the winner of the prestigious Golden Peacock Award for excellence in Corporate Governance for the year 2011, 2015 and 2018 and won the Special Commendation in the year 2009 and 2013.

In compliance with Regulation 34 of the Listing Regulations, a separate report on Corporate Governance alongwith a certificate from the Auditors on its compliance, is attached and forms part of this Report.

Risk Management

The risk management framework in the current business environment is changing dynamically with the dimensions of Cyber security, Information Security, Business Continuity and Data Privacy in the risk charts of most of the organizations. Systematic and proactive identification of risks and mitigation thereof enables effective or quick decision-making and boosts the performance of the organization.

To identify and mitigate the risk, the Company has well defined Enterprise-wide Risk Management (ERM) framework in place. The primary objective of ERM function is to implement a framework that augments risk response decisions and reduce surprises. ERM programme involves risk identification, assessment and risk mitigation planning for strategic, operational, and financial and compliance related risks across various levels of the organization.

A separate section on Risk identification and mitigation is discussed in detail in the Management Discussion and Analysis section of this Annual Report.

Insurance

In today's environment, Company's Business, Assets, Directors & Officers, Employees are exposed to financial risks mainly arising out of claims from customers, third parties, regulators, employees as well as stakeholders. In order to mitigate the financial impact that can emanate from such unforeseen risks, the company sufficiently insures itself under various policies like Workers Compensation and Employers Liability, Commercial General Liability, Errors & Omissions, Cyber Liability, Crime, Employment Practices Liability, Directors & Officers Liability, Property Insurance to name a few. Given the evolving nature of the business and the associated risks, individual policy needs and coverage are reviewed on an ongoing basis and changes are effected as

deemed prudent. Additionally, the Company has also taken Insurance for employees and their dependents to safeguard the financial interests of the employees and their families in case of unforeseen events like hospitalization, accident and death.

INTERNAL FINANCIAL CONTROL SYSTEMS

The Company has an Internal Control System, commensurate with the size, scale and complexity of its operations. The Management has laid down proper and adequate system for internal financial controls to be followed to ensure safeguarding of its assets, the prevention and detection of frauds and errors, adherence to the Company's policies, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial disclosures. This ensures that all transactions are authorised, recorded and reported correctly and assets are safeguarded and protected against loss from unauthorized use or disposition. In addition there are operational controls.

The internal auditor monitors and evaluates the efficacy and adequacy of internal control system in the Company, its compliance with operating systems, accounting procedures and policies at all locations of the Company and its subsidiaries.

The Company appointed PWC as its Internal Auditor for the year ended December 31, 2018. The Internal Auditors findings are discussed with the process owners and suitable corrective actions are taken as per the directions of Audit Committee on an ongoing basis to improve efficiency in operations. During the year, the Company continued to implement suggestions and recommendations by the internal auditors and the audit committee to improve the control environment.

Further details on internal financial control are included in the Management Discussion and Analysis section which form part of this report. Report of statutory auditor on the internal financial control is also included in this report on page 161.

HexaVarsity

The multi-faceted learning and development process at HexaVarsity enriches and empowers individuals by making them multi-talented and agile to business requirements.

The goal at HexaVarsity is to develop an empowered and multi-skilled workforce with market relevant skills. This is enabled for all functions and levels in the organization, using an experiential learning methodology backed by state-of-the-art learning management systems, assessment frameworks, technologies and tools.

The mission is *'to create an environment that motivates learning and empowers employees to grow and succeed in their chosen career path relevant to the business.'*

Evolve

The company is constantly focused on delivering industry leading solutions for its customers. HexaVarsity plays a

Directors' Report

vital role in this, helping the employees transform into a dynamic and multi-skilled workforce that is ready to handle the next big wave of technology evolution. Ensuring that the workforce is obsolescence proof also ensures that the Company meets employee aspirations to stay cutting edge and minimize attrition due to this reason.

Mission: To enable employees to upgrade their skills to perform roles relevant to the market.

Hexavarsity launched an industry leading transformational program called "Evolve" during the year. Evolve is focused on creating a multi-skilled consultant suitable for a Role as its customers require, to provide them with the very best in service and quality. An assessment driven framework that tests technical, functional and soft skills and application of these skills in the work environment makes this program exceptional and powerful.

Benefits of the program

- Helps employees own their career progression the way they have visualized it
- Upskill them towards aspirational roles and be aligned to roles that are in great demand
- Acquire multiple and much sought-after skills

Fresher Training Program (FTP)

Hexaware's Fresher Training Program (FTP) is designed to nurture the concepts of 'Learning to Learn' and 'Learn by Doing' which encourages and helps build every Fresher's ability to become more resourceful and self-reliant and help prepare them for business demands and challenges. The FTP Foundation is a Full Stack Developer training followed by a Technology focused training. A robust and comprehensive assessment mechanism is followed in the program to ensure retention of knowledge and test practical application of concepts and successful trainees are assigned to projects. During the year, 540 freshers successfully completed the program and were allotted to projects.

During the year, Hexavarsity also conducted a training program for Senior Management Trainees and Management Trainees. This program covers technology and Vertical orientation, leadership programs and behavioral training. A total of 10 Senior Management Trainees and 8 Management Trainees successfully completed their training and were inducted into your organization.

Behavioral Assessments

During the year, HexaVarsity also launched a blue chip Behavioral Assessment that helps in creation of a balanced and effective team, leveraging complementary strengths of individuals. This assessment also helps us in hiring the right talent for senior roles in the organization.

Professional Certifications

The company also continues to invest on external certifications for its consultants.

Related party transactions

During the financial year 2018, the Company has entered into transactions with related parties as defined under Section 2(76) of the Companies Act, 2013 read with Companies (Specification of Definitions Details) Rules, 2014, all of which were in the ordinary course of business and on arm's length basis and in accordance with the provisions of the Companies Act, 2013, read with the rules issued thereunder and the Listing Regulations.

There are no materially significant related party transactions made by the Company with its promoters, Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large.

All Related Party Transactions are placed before the Audit Committee and Board.

Policy on dealing with related party transaction is available on the website of the Company, <http://hexaware.com/investors/>

The details as required to be provided under Section 134(3) (h) of Companies Act, 2013 are disclosed in form AOC-2 as **Annexure 2** and forms part of this Annual Report.

Policy on determining material subsidiaries of the Company is available on the website of the Company, <http://hexaware.com/investors/>

Employee Stock Option Plans (ESOP)

The Company has set up various employee stock option plans/restricted stock unit plans from time to time to attract and retain talent, motivate, incentivize and reward employees of the Company and employees of Subsidiary Companies. The Nomination and Remuneration Committee of the Board administers these plans. The stock option plans are in compliance with Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 ("Employee Benefits Regulations").

During the year 2018, following were the exercises made by employees and grants made to employees/director under ESOP plan: 5,57,232 options were exercised and the Company allotted 5,57,232 equity shares of ₹ 2/- each to the employees/director on such exercise. These shares have been listed on the BSE Limited and National Stock Exchange of India Limited. 6,13,725 Restricted Stock Units (RSUs) were granted under 2015 scheme during the year 2018 as explained below:

- February 07, 2018 - 69,000 RSUs.
- May 2, 2018 - 300,000 RSUs.

- July 24, 2018 - 109,739 RSUs granted to Mr. R Srikrishna, CEO & Executive Director and 79,986 to other employees
- October 24, 2018 - 55,000 RSUs.

Details of the shares issued under Employee Stock Option Plan (ESOP), and also the disclosures in compliance with Rule 12 of Companies (Share Capital and Debentures) Rules, 2014 and Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 are available on the website of the company at the following link : <http://hexaware.com/investors/> No employee was issued Stock Option, during the year equal to or exceeding 1% of the issued capital of the Company at the time of Grant.

Fixed deposits

During the year under review, the Company did not accept or invite any deposits from the public.

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

The information relating to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo required under Section 134(3) (m) of the Companies Act, 2013 read with Companies (Accounts) Rules, 2014 is annexed and forms part of the report.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A detailed analysis of the Company's performance is disclosed in the Management Discussion and Analysis Report, which forms part of this Annual Report.

Investor Education and Protection Fund (IEPF)

Details of unclaimed Dividend and Shares transferred to IEPF during 2018 are given in Corporate Governance Report.

Directors' Responsibility Statement

Pursuant to Section 134 (3) (c) and (5) of the Companies Act, 2013, the Directors confirm the following:

- in the preparation of the annual accounts, the applicable accounting standards have been followed and there were no material departures;
- the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the company for that period;
- the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- the directors have prepared the annual accounts on a going concern basis; and

- the directors, have laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.
- the directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

Directors and Key Managerial Personnel

Mr. P R Chandrasekar having DIN 02251080 was re-appointed as an Independent Non - Executive Director of the Company for three years w.e.f January 1, 2019 on existing terms and conditions including remuneration.

Mr. Vikash Kumar Jain has been appointed as the Chief Financial Officer of the Company w.e.f. October 25, 2018.

Erstwhile CFO, Mr. Rajesh Kanani retired from the Company from close of Business hours on December 31, 2018.

In accordance with the provisions of Companies Act, 2013, Mr. Kosmas Kalliarekos, Director of the Company, retires by rotation at this Annual General Meeting and, being eligible; offers himself for re-appointment at the Annual General Meeting.

The information of Directors seeking appointment / re-appointment at the Annual General Meeting to be given to the shareholders as per regulation 36 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standards on General Meetings is being provided in Corporate Governance Report.

Number of Meetings of the Board

Seven Meetings of the Board were held during the year. For details of the meetings of the Board, you may refer to the corporate governance report, which forms part of this Annual report.

Declaration by Independent directors

The Independent Directors have submitted a declaration that each of them meets the criteria of independence as provided in Section 149(6) of the Companies Act, 2013 and there has been no change in the circumstances which may affect their status as independent director during the year.

Board Evaluation

The Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 mandates evaluation of performance of Independent Directors, Non-Independent Directors and Chairperson. The Companies Act, 2013 states that a formal annual evaluation needs to be made by the Board of its own performance and that of its committees and individual Directors. The Schedule IV to the Companies Act, 2013 states that the performance evaluation of independent Directors shall be done by the entire board of Directors, excluding the director being evaluated.

Directors' Report

The performance of the Board was evaluated by the Board after seeking inputs from all the directors on the basis of the criteria such as the Board composition and structure, effectiveness of board processes, information and functioning, etc.

The performance of the committees was evaluated by the board after seeking inputs from the committee members on the basis of the criteria such as the composition of committees, effectiveness of committee meetings, etc.

The Chairman of the Board / the Nomination and Remuneration Committee ("NRC") review the performance of the individual directors on the basis of the criteria approved by the Board.

In a separate meeting of Independent Directors held on December 20, 2018, performance of Non-Independent directors, performance of the Board as a whole and performance of the Chairman was evaluated.

Training of Independent Directors

To familiarize the Independents Directors with the strategy, operations and functions of the Company, the Executive Director and Senior Managerial personnel make presentations at the Board Meetings about Company's operations, markets, financial results, human resources and on other important aspects.

The terms and conditions of the appointment of every Independent Director is available on the website of the Company at: <http://hexaware.com/investors/>

The familiarization policy of the Independent Directors is available on website of the Company at <http://hexaware.com/investors/>

Committees of the Board

The Board of Directors has following committees:

1. Audit, Governance & Compliance Committee
2. Nomination & Remuneration Committee
3. Stakeholders Relationship Committee
4. Corporate Social Responsibility Committee
5. Strategy and Risk Committee

The details of the composition of the committee and attendance of the meetings of Committees of the Board are provided in the Corporate Governance report.

Compliance of Secretarial Standards

The Company complies with all applicable secretarial standards.

Policy on directors and Key Managerial Personnel appointment and remuneration and other details

The Company's policy on Directors and Key Managerial Personnel appointment and remuneration and other matters provided in Section 178(3) of the Act has been disclosed in the corporate governance report.

Whistle blower policy

The Company has established a vigil mechanism/framed a whistle blower policy. The policy enables the employees and other stakeholders to report to the management instances of unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct or ethics policy. This policy is reviewed annually by the Audit Committee to check the effectiveness of the policy. No personnel has been denied access to the Audit Committee. The provisions of this policy are in line with the provisions of Section 177 (9) of Companies Act, 2013. The policy is available on the website of the company at : <http://hexaware.com/investors/>

Statutory Auditor

The Board of Directors at its meeting held on February 8, 2018 appointed BSR & Co. LLP, Chartered Accountants, Mumbai ("BSR & Co. LLP") with Registration no. 101248W/W-100022 as Statutory Auditors for a period of 5 years, to hold office till the conclusion of 30th Annual General Meeting, which was confirmed by the members at the 25th Annual General Meeting held on May 03, 2018.

Vide notification dated May 7, 2018 issued by Ministry of Corporate Affairs, the requirement of seeking ratification of appointment of statutory auditors by members at each AGM has been done away with. Accordingly, no such item has been considered in notice of the 26th AGM.

There are no qualifications, reservations or adverse remarks made by the statutory auditors in their audit reports on the financial statements for the year ended December 31, 2018.

Internal Auditor

Internal Audit for the year ended December 31, 2018 was done by Pricewaterhousecoopers Private Limited and Internal Audit report in accordance with internal audit program for the year was placed before the Audit Committee.

Secretarial Auditor

M/s. Makarand M Joshi & Co., Practising Company Secretary was appointed to conduct the Secretarial Audit of the Company for the year ended December 31, 2018 as per the provisions of Section 204 of the Companies Act, 2013 read with rules made thereunder. The Secretarial Audit report for the year ended December 31, 2018 is annexed to Board's report as **Annexure 3**. There are no qualifications, reservations or adverse remarks made by Secretarial Auditor in his report.

Reporting of frauds by auditors

During the year under review, neither the statutory auditors nor the secretarial auditor has reported to the Audit committee, under Section 143 (12) of the Companies Act, 2013, any instances of fraud committed against the Company by its officers or employees, the details of which would need to be mentioned in the Board's report.

Cost Records

The Company is not required to maintain cost records as specified under sub-section (1) of section 148 of the Companies Act, 2013

Significant/Material Orders Passed by the Regulators

There are no significant material orders passed by the Regulators or Courts or Tribunals impacting the going concern status of your Company and its operations in future.

Corporate Social Responsibility

Pursuant to the provisions of Section 135 of the Companies Act, 2013, the Company spent ₹ 90.46 Million towards CSR activities for the year ended December 31, 2018 which is more than the prescribed limit under section 135 of the Companies Act, 2013. The composition of contents of the CSR policy and initiatives taken by the Company on Corporate Social Responsibility during year ended on December 31, 2018 as per the format prescribed in the Companies (Corporate Social Responsibility Policy) Rules, 2014 is annexed as **Annexure 4** to this Report and CSR policy of the Company is available on the website at www.hexaware.com. The Composition of CSR Committee is given in the Corporate Governance Report.

Extract of annual return

As provided under Section 92(3) of the Act, the extract of annual return in the prescribed Form MGT-9, is available on the website at www.hexaware.com and is also annexed as **Annexure 5** to this report.

Financial year

The company has received an order from the Company Law Board under section 2 (41) of the Companies Act, 2013 for continuing January to December as its financial year. Hence the Company will maintain its financial year from January 1 to December 31.

Particulars of Directors and Employees

The table containing names and other particulars of Directors in accordance with the provisions of Section 197(12) of the Companies Act, 2013 read with rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is enclosed as **Annexure 6** to the Board Report.

The statement containing particulars of employees as required under Section 197(12) of the Act read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is provided in a separate annexure forming part of this report. Further, the report and

the accounts are being sent to the members excluding the aforesaid annexure. In terms of Section 136 of the Act, the said annexure is open for inspection at the Registered Office of the Company. Any shareholder interested in obtaining a copy of the same may write to the Company Secretary.

Disclosure as required under Section 22 of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Company as an organization is committed to provide a healthy environment to all the employees and thus does not tolerate any discrimination and/or harassment in any form. The Company has in place a Prevention of Sexual Harassment (POSH) policy in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. Frequent communication of this policy is done through various programs and at regular intervals to the employees.

The Company has setup an Internal Complaints Committee (ICC) both at the registered office and at every location where it operates in India in accordance with the Act and has representation of men and women and is chaired by senior lady member and has an external women representation.

Awareness programs are conducted during induction for sensitizing the employees with the provisions of the Act.

The following is the summary of the complaints received and disposed of during the financial year 2018:

- a) No. of complaints received during the year: 02
- b) No. of complaints disposed off: 02
- c) No. of complaints pending: NIL

Green initiatives

The Company started a sustainability initiative with the aim of going green and minimizing the impact on the environment. Like the previous years, this year too, the Company is publishing only the statutory disclosures in the print version of the Annual Report. Additional information is available on our website, www.hexaware.com.

Electronic copies of the Annual Report 2018 and Notice of the 26th Annual General Meeting are being sent to all members whose email addresses are registered with the Company / Depository Participant(s). For members who have not registered their email addresses, physical copies of the Annual Report 2018 and the Notice of the 26th Annual General Meeting are being sent in the permitted mode. Members requiring physical copies can send a request to the Company.

The Company provides e-voting facility to all its members to enable them to cast their votes electronically on all resolutions set forth in the Notice. This is pursuant to the Section 108 of the Companies Act 2013 and Rule 20 of the Companies (Management and Administration) Amendment Rules, 2014 as amended from time to time.

Directors' Report

Business Responsibility Report: The 'Business Responsibility Report' (BRR) of the Company for the year 2018 forms part of this Annual Report as required under Regulation 34(2)(f) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Acknowledgment

The Directors place on record their sincere appreciation of the customers, Government of India and of other countries, vendors, bankers and Technology Partners for the support extended. The Directors are also deeply touched by the efforts, sincerity and loyalty displayed by the employees

without whom the growth of the Company is unattainable. The Directors wish to thank the investors and shareholders for placing immense faith in them. The Directors seek and look forward to the same support during the future years of growth.

For and on behalf of the Board of Directors

Date: March 12, 2019
Place: Mumbai

Atul K. Nishar
Chairman