Notes To The Standalone Financial Statements

1 Corporate Information

Hexaware Technologies Limited ("Hexaware" or "The Company") is a public limited company incorporated in India. The Company is engaged in information technology consulting, software development and business process services. Hexaware provides multiple service offerings to its clients across various industries comprising travel, transportation, hospitality, logistics, banking, financial services, insurance, healthcare, manufacturing, consumer and services. The various service offerings comprise application development and management, enterprise package solutions, infrastructure management, business intelligence and analytics, business process, digital assurance and testing.

2 Significant Accounting Policies

2.1 Statement of compliance

The financial statements comply in all material aspects with Indian Accounting standards (referred to as "Ind AS") notified under Section 133 of the Companies Act, 2013 (the "Act") [Companies (Indian Accounting Standards) Rules, 2015] and other relevant provisions of the Act.

2.2 Basis of Preparation

These financial statements are prepared on historical cost basis, except for certain financial instruments which are measured at fair values as explained in the accounting policies below.

2.3 Critical accounting judgements and key source of estimation uncertainty

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenue, expense, assets and liabilities and disclosures relating to contingent liabilities on the date of the financial statements. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates is recognised in the period in which the estimate is revised and in any future period affected.

Key source of estimation uncertainty which may cause material adjustments:

2.3.1 Revenue recognition

The Company uses the percentage-of-completion method in accounting for its fixed-price contracts. Use of the percentage-of-completion method requires the Company to estimate the efforts expended to date as a proportion of the total efforts to be expended. Efforts expended have been used to measure progress towards completion as there is a direct relationship between input and productivity. Provisions for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the expected contract estimates at the reporting date and can be reliably estimated.

2.3.2 Income-tax

The major tax jurisdictions for the Company is India though the Company also files tax returns in overseas jurisdiction. Significant judgments are involved in determining the provision for income taxes including judgment on whether tax positions are probable of being sustained in tax assessments and deferred tax on unrecognised tax benefits. Tax assessment can involve complex issues, which can only be resolved over extended time periods.

2.3.3 Others

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 Revenue Recognition

Revenue is measured at fair value of consideration received or receivable.

a) Revenues from software solutions and consulting services are recognized based on specified terms of contract.

In case of contract on time and material basis, revenue is recognised when the related services are performed.

In case of fixed price contracts, revenue is recognized using percentage of completion method. The company uses the efforts expended to date as a proportion to the total efforts to be expended as a basis to measure the degree of completion. The cumulative impact of any revision in estimates of the percentage of work completed is reflected in the year in which the change becomes known. Provisions for estimated losses on such engagements are made during the year in which a loss becomes probable and can be reasonably estimated.

Amount received or billed in advance of services performed are recorded as unearned revenue.

Unbilled services represents revenue recognized based on services performed in advance of billing in accordance with contract terms.

Revenue from business process management arises from unit-priced contracts, time based contracts and cost based projects. Such revenue is recognised as services are performed. It is billed in accordance with the specific terms of the contract with the client.

b) Revenue is reported net of discount and indirect taxes.

c) Dividend income is recognised when the shareholders right to receive payment has been established.

d) Interest Income is recognised using effective interest rate method.

2.5 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

a) Finance Lease

Assets taken on finance lease are capitalised at lower of present value of the minimum lease payments and the fair value of the leased asset 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 expenses on straight line basis over the lease term unless the payments to the lessor are structured to increase in line with expected general inflation.

2.6 (a) Functional and presentation currency

These financial statements are presented in millions of Indian Rupees (₹), the currency of the primary economic environment in which the Company operates.

(b) 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 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 Balance Sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2.7 Borrowing Cost

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

2.8 Employee Benefits

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

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

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

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

b) Short term employee benefit

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

2.9 Share based compensation

Equity settled share based payments to employees and directors are measured at the fair value of the equity instruments at the grant date which is recognised over the vesting period based on periodic estimate of the equity instruments that will eventually vest, with the corresponding increase in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest with the impact of revision recognised in the profit or loss such that the cumulative expense reflects the revised estimates, with a corresponding adjustment to the share option outstanding account.

2.10 Taxes on Income

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

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

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

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

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

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

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

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

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

2.11 Property, plant and equipment (PPE)

PPE are stated at cost of acquisition less accumulated depreciation (other than freehold land) and impairment loss, if any.

Depreciation

Depreciation is provided on straight-line method based on the estimated useful lives of the assets as determined by the management based on the expert technical advice/ stipulations of schedule II to the Act.

Asset Class	Estimated useful Life
Buildings	60 years
Computer Systems (included in Plant and Machinery)	3 years
Office Equipment	5 years
Electrical Fittings (included in Plant and Machinery)	8 years
Furniture and Fixtures	8 years
Vehicles	4 years

Improvement to Leasehold Premises are amortised over the lease period or useful life of an asset whichever is lesser.

Depreciation methods, estimated useful lives and residual values are reviewed at the end of each year and adjusted prospectively where appropriate.

An item of PPE is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on derecognition is determined as the difference between the sales proceeds and the carrying amount of the assets and is recognised in profit or loss.

2.12 Intangible assets

Intangible assets with finite useful lives that are acquired are initially recognised at cost in case of separately acquired assets and at fair value in case of acquisition in business combination. Subsequent to initial recognition, intangible assets are reported at cost less accumulated amortisation and impairment loss, if any. Amortisation is recognised on a straight-line basis over their estimated useful lives. Software licenses are amortised over three years.

Amortisation method, estimated useful lives and residual values are reviewed at the end of each year and adjusted prospectively where appropriate.

An intangible asset is derecognised on disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on derecognition is determined as the difference between the sales proceeds and the carrying amount of the assets and is recognised in profit or loss.

2.13 Impairment

a) Financial assets (other than at fair value)

The company assesses at each balance sheet date, whether a financial asset or a group of financial assets is impaired. Ind AS 109, "Financial Instruments" requires expected credit losses to be measured through a loss allowance. The company recognizes lifetime expected losses for all contract assets and / or all trade receivables. For all other financial assets except for investments, expected credit losses are measured at an amount equal to the 12-month expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. In case of Investments, the Company periodically reviews its carrying value of investments for indication for impairment. If the recoverable amount is less than its carrying amount, the impairment loss is accounted for.

b) Non-financial assets

Tangible and Intangible assets

At the end of each reporting period, the company assesses whether there is an indication that an asset may be impaired. An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. When it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs or allocated. Impairment loss is charged to the profit or loss in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

2.14 Provisions

Provisions are recognised when the company has present obligation (legal or constructive) as a result of a past event for which reliable estimate can be made of the amount of obligation and it is probable that the company will be required to settle the obligation. When a provision is measured using cash flows estimated to settle the present obligation its carrying amount is the present value of those cash flows; unless the effect of time value of money is immaterial.

2.15 Non derivative financial instruments

Financial assets and liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value measured on initial recognition of financial asset or financial liability.

A Financial assets and financial liabilities – subsequent measurement

(i) Financial assets at amortised cost

Financial assets are subsequently measured at amortised cost if these financial assets are held with 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 with a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(iii) Financial assets at fair value through profit or loss

Financial assets are measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income. The transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit and loss are immediately recognised in statement of profit and loss.

(iv) Investment in subsidiaries

Investment in subsidiaries is carried at cost less impairment, if any.

(v) Cash and cash equivalents

The company considers all highly liquid financial instruments, which are readily convertible into known amounts of cash that are subject to an insignificant risk of change in value and having original maturities of three months or less from the date of purchase, to be cash equivalents. Cash and cash equivalents consist of balances with banks which are unrestricted for withdrawal and usage.

(vi) **Financial liabilities**

Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

B Share capital

Equity shares

Incremental costs directly attributable to the issue or re-purchase of equity shares, net of any tax effects, are recognised as a deduction from equity.

2.16 Derivative financial instruments and hedge accounting

The company enters into foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to highly probable forecast transactions. These instruments are initially measured at fair value and are re-measured at subsequent reporting dates. The company at the inception documents and designates these instruments as cash flow hedges. Accordingly, the company records the cumulative gain or loss arising from change in fair values on effective cash flow hedges in the CFHR within the other comprehensive income until the forecasted transaction occurs. Gain or loss arising from change in fair values of component excluded from the assessment of hedge effectiveness as well as the ineffective portion of the designated hedges and derivative instruments that do not qualify for hedge accounting are recognized immediately in the profit or loss.

Hedge accounting is discontinued when the hedging instrument expires, terminated or exercised without replacement or rollover as part of the hedging strategy or when the hedge no longer meets the criteria for hedge accounting, the net cumulative gain or loss recognised in hedging reserve at that time remains in equity and is recognised in profit or loss when the forecasted transaction affects profit or loss. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in hedging reserve is immediately transferred to the profit or loss for the year and is grouped under exchange rate difference.

2.17 Earnings per share ('EPS')

Basic EPS are computed by dividing profit or loss attributable to equity shareholders of the Company by the weighted average number of equity shares outstanding during the year. 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

Ind AS 115 Revenue from the contracts with customers replaces the current revenue recognition standard, Ind AS 18 Revenue and Ind AS 11 Construction Contracts. This standard provides a single principle based five step model to be applied to all contracts with customers. Guidance is provided on topics such as the point at which revenue is recognised, accounting for variable consideration, cost to fulfill a contract and obtaining a contract and various other related matters.

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

4 Property, Plant and Equipment (PPE)

PPE consist of the following : (₹ Million)

Particulars	Freehold Land	Buildings	Plant and Machinery	Furniture and Fixtures	Vehicles	Office Equipments	Leasehold Improvements	Total
COST								
At January 1, 2018	0.15	2,734.49	1,878.08	624.83	17.85	1,185.21	4.97	6,445.58
Additions	-	301.53	275.69	61.15	-	66.23	-	704.60
(Disposals) / Adjustments	-	-	(36.18)	-	(0.92)	(11.65)	-	(48.75)
At December 31, 2018	**0.15**	**3,036.02**	**2,117.59**	**685.98**	**16.93**	**1,239.79**	**4.97**	**7,101.43**
ACCUMULATED DEPRECIATION								
At January 1, 2018	-	310.99	1,447.48	453.98	10.30	804.30	4.92	3,031.97
Charge for the year	-	52.86	219.92	44.23	2.67	113.65	0.04	433.37
Disposals	-	-	(33.52)	-	(0.92)	(11.64)	-	(46.08)
At December 31, 2018	**-**	**363.85**	**1,633.88**	**498.21**	**12.05**	**906.31**	**4.96**	**3,419.26**
NET CARRYING AMOUNT								
At December 31, 2018	**0.15**	**2,672.17**	**483.71**	**187.77**	**4.88**	**333.48**	**0.01**	**3,682.17**
COST								
At January 1, 2017	0.15	2,251.90	1,670.82	513.13	22.91	815.53	4.97	5,279.41
Additions	-	482.59	283.77	112.09	4.96	372.34	-	1,255.75
Disposals	-	-	(76.51)	(0.39)	(10.02)	(2.66)	-	(89.58)
At December 31, 2017	**0.15**	**2,734.49**	**1,878.08**	**624.83**	**17.85**	**1,185.21**	**4.97**	**6,445.58**
ACCUMULATED DEPRECIATION								
At January 1, 2017	-	264.26	1,316.97	414.43	18.57	681.70	4.09	2,700.02
Charge for the year	-	46.73	206.98	39.94	1.75	125.23	0.83	421.46
Disposals	-	-	(76.47)	(0.39)	(10.02)	(2.63)	-	(89.51)
At December 31, 2017	**-**	**310.99**	**1,447.48**	**453.98**	**10.30**	**804.30**	**4.92**	**3,031.97**
NET CARRYING AMOUNT								
At December 31, 2017	**0.15**	**2,423.50**	**430.60**	**170.85**	**7.55**	**380.91**	**0.05**	**3,413.61**

Note:

i) Plant and machinery includes computer systems.

ii) Buildings includes office premises taken on finance lease of gross value amounting to ₹ 345.47 million as at December 31, 2018 and December 31, 2017 and net carrying value amounting to ₹ 257.17 million and ₹ 261.81 million as at December 31, 2018 and December 31, 2017 respectively.

5 Intangible assets

Intangible assets consist of the following :

(₹ Million)

Particulars	Software Licenses
COST	
At January 1, 2018	511.44
Additions	71.49
At December 31, 2018	582.93
ACCUMULATED AMORTISATION	
At January 1, 2018	429.36
Amortisation for the year	60.70
At December 31, 2018	490.06
NET CARRYING AMOUNT	
At December 31, 2018	92.87
COST	
At January 1, 2017	458.32
Additions	53.12
At December 31, 2017	511.44
ACCUMULATED AMORTISATION	
At January 1, 2017	357.46
Amortisation for the year	71.90
At December 31, 2017	429.36
NET CARRYING AMOUNT	
At December 31, 2017	82.08

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

6 Investments

(₹ Million)

	Particulars	As at December 31, 2018	As at December 31, 2017
A	**Non current investments in equity shares (unquoted)**		
	Investments in equity instruments of subsidiaries (at cost)		
	30,026 common stock at no par value in Hexaware Technologies Inc., U.S.A.	1,632.68	1,632.68
	2,167,000 shares of 1/- GBP each fully paid up in Hexaware Technologies UK Ltd.	154.64	154.64
	500,000 shares of Singapore $ 1/- each fully paid up in Hexaware Technologies Asia Pacific Pte. Ltd., Singapore.	12.48	12.48
	3,618 shares of face value 50/- Euro each fully paid up in Hexaware Technologies Gmbh., Germany.	7.57	7.57
	1 common stock at no par value in Hexaware Technologies Canada Limited, Canada.	0.73	0.73
	1 participation share of no par value in Hexaware Technologies Mexico S De R.L. De C.V.	29.42	29.42
	40 shares at no par value in Guangzhou Hexaware Information Technologies Company Limited, China (1)	2.00	13.14
	45,000 shares of SAR 10/- each in Hexaware Technologies Saudi LLC, Saudi Arabia.	8.03	8.03
	1,945,000 shares of HKD 1/- each in Hexaware Technologies Hong Kong Limited, Hongkong.	16.13	16.13

(₹ Million)

Particulars	As at December 31, 2018	As at December 31, 2017
500 shares of SEK 100/- each in Hexaware Technologies Nordic AB, Sweden.	0.40	0.40
10 shares of USD 5000/- each in Hexaware Information Technologies (Shanghai) Company Limited.	3.71	-
Entire Share Capital in Hexaware Technologies Limited Liability Company, Russia [(2)]	26.95	148.60
	1,894.74	**2,023.82**
Other Investments		
At fair value through other comprehensive income		
240,958 equity shares of ₹ 10/- each in Beta Wind Farm Pvt. Ltd.	4.58	4.58
	1,899.32	**2,028.40**

Notes:

1. Net of provision for impairment in the value of investment of ₹ 11.14 million (December 31, 2017 ₹ Nil)
2. Net of provision for impairment in the value of investment of ₹121.65 million (December 31, 2017 ₹ Nil)

B	**Current investments in mutual funds (unquoted)**		
	At fair value through profit and loss account		
	Mutual fund units	101.28	189.19

7 Income taxes

(₹ Million)

	Particulars	For the year ended December 31, 2018	For the year ended December 31, 2017
7.1	**Income tax expense is allocated as follows:**		
	Income tax expense as per the Statement of Profit and Loss	988.25	857.64
	Income tax included in Other Comprehensive Income on:		
	a) Net change in fair value of cash flow hedges	(117.49)	34.60
	b) Remeasurement of defined benefit plan	8.45	18.71
		879.21	**910.95**
7.2	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:		
	Profit before income-tax	5,517.84	4,967.24
	Expected tax expense at the enacted tax rate of 34.994% (previous year 34.608%) in India	1,928.15	1,719.06
	Tax effect of adjustments to reconcile expected income tax expense to reported income tax expense:		
	Income exempt from tax	(1,042.97)	(906.73)
	Tax effect of non-deductible expenses	90.08	14.38
	Taxes of earlier years	-	16.67
	Others, net	12.99	14.26
	Income tax expense recognised in the Statement of Profit and Loss	**988.25**	**857.64**

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.

(₹ Million)

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

Particulars	January 1, 2017	Recognised in profit or loss	Recognised in OCI	December 31, 2017
Components of deferred taxes:				
Deferred tax assets				
Allowance for doubtful debts and advances	19.25	0.38	-	19.63
Employee benefit obligations	104.31	(11.65)	-	92.66
Provision for severance pay	30.00	(27.98)	-	2.02
Minimum alternate tax credit carry forward	958.59	275.18	-	1,233.77
Total	**1,112.15**	**235.93**	**-**	**1,348.08**
Deferred tax liabilities				
Unrealised gain on cash flow hedges	82.00	-	34.60	116.60
Depreciation	182.69	21.77	-	204.46
Total	**264.69**	**21.77**	**34.60**	**321.06**
Net deferred tax asset	**847.46**	**214.16**	**(34.60)**	**1,027.02**

(a) Deferred income tax assets have not been recognized on temporary differences amounting to approximately ₹ 506.81 million (previous year ₹ 411.11 million) associated with investment in subsidiaries as it is probable that the temporary differences will not reverse in the foreseeable future.

(b) There are unused tax credit as at December 31, 2018 aggregating ₹ 234.06 million for which no deferred tax asset is recognized in the Balance Sheet.

8 Other financial assets (unsecured) (considered good)

(₹ Million)

	Particulars	As at December 31, 2018	As at December 31, 2017
A	**Non-current**		
	Interest accrued on bank deposits	0.77	0.60
	Foreign currency derivative assets	101.43	136.10
	Restricted bank balances (a)	5.57	7.35
	Security deposits for premises and others	227.29	208.47
		335.06	**352.52**

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

(₹ Million)

	Particulars	As at December 31, 2018	As at December 31, 2017
B	**Current**		
	Interest accrued on bank deposits	0.66	1.06
	Foreign currency derivative assets	94.16	586.24
	Security deposits for premises and others @	1.78	4.13
	Other receivables from related parties	289.07	187.56
	Employee advances	123.06	182.08
		508.73	**961.07**

@ Exclude deposits aggregating ₹ 34.56 million provided as doubtful of recovery basis the expected credit loss model.

9 Other assets (unsecured)

(₹ Million)

	Particulars	As at December 31, 2018	As at December 31, 2017
A	**Non-current**		
	Capital advances	47.05	1.37
	Prepaid expenses relating to leasehold land *	530.30	525.03
	Other prepaid expenses	96.67	7.91
	Indirect taxes recoverable	112.22	81.10
		786.24	**615.41**

* includes unamortised lease premium in respect of one parcel of leasehold land allotted to the company at Nagpur for which final lease agreement is being executed amounting to ₹ 79.87 million and ₹ 80.78 million as at December 31, 2018 and December 31, 2017 respectively.

(₹ Million)

	Particulars	As at December 31, 2018	As at December 31, 2017
B	**Current**		
	Prepaid expenses	202.46	173.18
	Indirect taxes recoverable	65.34	140.29
	Others	17.34	2.53
		285.14	**316.00**

10 Trade Receivables (unsecured)

(₹ Million)

Particulars	As at December 31, 2018	As at December 31, 2017
Considered good	5,363.53	4,142.29
Considered doubtful	32.38	29.05
Less: Allowance for doubtful receivables	(32.38)	(29.05)
	5,363.53	**4,142.29**
The Company's credit period generally ranges from 30 - 60 days. The age wise break up of trade receivables, net of allowances is given below.		
Not Due	4,318.69	1,336.14
Due less than 180 days (*)	1,015.74	2,799.48
Due more than 180 days (**)	29.10	6.67
	5,363.53	**4,142.29**
* Net of allowance for doubtful receivables ₹ 0.43 Million (Previous year 6.29 Million) ** Net of allowance for doubtful receivables ₹ 31.95 Million (Previous year 22.76 Million)		
Movement in allowance for doubtful receivables		
Balance at the beginning of the year	29.05	28.36
Expense for the year	59.13	23.27
Amounts recovered during the year	(57.54)	(21.82)
Exchange rate fluctuations	1.74	(0.76)
Balance at the end of the year	**32.38**	**29.05**

11 Cash and bank balances

(₹ Million)

	Particulars	As at December 31, 2018	As at December 31, 2017
A	**Cash and cash equivalents**		
	In current accounts with banks	1,257.70	844.82
	Bank deposit accounts with less than 3 months maturity	62.77	37.71
	Unclaimed dividend accounts	154.38	150.26
	Margin money with banks	5.57	7.35
		1,480.42	1,040.14
	Less: Restricted bank balances	(159.95)	(157.61)
		1,320.47	**882.53**
B	**Other bank balances**		
	Restricted bank balances in respect of unclaimed dividend accounts.	154.38	150.26
		154.38	**150.26**

12 Equity Share Capital

(₹ Million except per share data)

	Particulars	As at December 31, 2018	As at December 31, 2017
12.1	**Authorised capital**		
	525,000,000 Equity shares of ₹ 2 each	1,050.00	1,050.00
	1,100,000 Series "A" Preference Shares of ₹1,421 each	1,563.10	1,563.10
12.2	**Issued, subscribed and paid-up capital**		
	Equity shares of ₹ 2 each	594.72	593.61
12.3	**Reconciliation of number of shares**		
	Shares outstanding at the beginning of the year	296,803,757	302,028,195
	Shares issued during the year	557,232	470,397
	Shares bought back during the year	-	(5,694,835)
	Shares outstanding at the end of the year	297,360,989	296,803,757

12.4 Rights, preferences and restrictions attached to equity shares

The Company has one class of equity shares having a par value of ₹ 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.

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

Name of shareholder		As at December 31, 2018	As at December 31, 2017
HT Global IT Solutions Holdings Ltd. (Holding Company)	No. of shares held	186,318,590	211,318,590
	% of holding	62.66%	71.20%
HDFC Trustee Company Limited	No. of shares held	19,274,031	18,885,481
	% of holding	6.48%	6.36%

12.6 During the year ended December 31, 2017, the Company bought back 5,694,835 shares at ₹ 240/- per share aggregating ₹1,366.76 million by utilisation of securities premium. The cost relating to buy-back was charged to other equity.

12.7 Shares reserved for issue under options

The Company has granted employee stock options under ESOP 2002, 2007 and 2008 schemes and restricted stock units (RSU's) under the ESOP 2008 and 2015 scheme. Each option / RSU entitles the holder to one equity share of ₹ 2 each. 8,687,324 options / RSU's were outstanding as on December 31, 2018 (9,667,235 options as on December 31, 2017).

12.8 The dividend per share recognised as distribution to equity shareholders during the period ended December 31, 2018 was ₹ 7.00 per share (year ended December 31, 2017 ₹ 4.00 per share).

13 Other financial liabilities

(₹ Million)

	Particulars	As at December 31, 2018	As at December 31, 2017
A	**Non-current**		
	Foreign currency derivative liabilities	72.95	3.40
	Accrued expenses	2.69	2.21
		75.64	**5.61**
B	**Current**		
	Unclaimed dividend	154.38	150.26
	Capital creditors	74.93	120.48
	Employee liabilities	445.12	342.41
	Foreign currency derivative liabilities	135.19	4.49
		809.62	**617.64**

14 Trade and other payables (Others)

Trade payables	295.07	493.36
Accrued expenses	503.57	327.54
	798.64	**820.90**

15 Other liabilities

Current		
Advance from customers	190.12	-
Unearned revenues	17.09	5.49
Statutory liabilities	204.58	144.27
	411.79	**149.76**

16 Provisions - Others

Provision at the beginning of the year	5.82	86.67
Paid during the year	(3.11)	(51.37)
Adjusted during the year	(2.71)	(29.48)
Provision at the end of the year	**-**	**5.82**

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

17 Other income

(₹ Million)

Particulars	For the year ended December 31, 2018	For the year ended December 31, 2017
Dividend	9.73	8.45
Interest income	5.64	7.86
Profit on sale of PPE (net)	0.03	2.44
Miscellaneous income	9.55	10.41
	24.95	**29.16**

18 Software and development expenses

(₹ Million)

Particulars	For the year ended December 31, 2018	For the year ended December 31, 2017
Consultant travel and related expenses	241.91	211.63
Software expenses *	430.97	335.38
	672.88	**547.01**
* includes sub- contracting charges	273.21	309.73

19 Employee benefits expense

Salary and allowances	8,310.72	6,731.01
Contribution to provident and other funds	550.36	464.12
Staff welfare expenses	392.66	346.96
Employee stock option compensation cost	207.83	221.33
	9,461.57	**7,763.42**

20 Operation and other expenses

Rent	235.80	216.04
Rates and taxes	39.21	24.31
Travelling and conveyance	406.91	378.90
Electricity charges	240.35	229.20
Communication expenses	155.83	165.99
Repairs and maintenance	352.28	309.88
Printing and stationery	26.51	31.55
Auditors remuneration		
- Audit fees	10.57	5.73
- Tax audit fees	4.58	1.30
- Certification work, taxation and other matters	1.24	2.23
Legal and professional fees	167.20	159.53
Advertisement and business promotion	118.30	83.53
Bank and other charges	12.42	6.49
Directors' sitting fees	1.98	1.75
Insurance charges	21.65	17.95
Debts and advances written off	5.47	3.30
Provision for doubtful accounts (net of write back)	2.83	1.45
Provision for impairment in the value of investment (Refer note 6A)	132.79	-
Staff recruitment expenses	99.12	112.30
Service charges	190.88	185.68
Miscellaneous expenses	109.46	98.87
	2,335.38	**2,035.98**

21 Financial Instruments

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

(₹ Million)

December 31, 2018	Amortised Cost	Fair value through profit and loss	Fair value through other comprehensive income	Derivative instrument in hedging relationship	Total carrying / fair value
Cash and cash equivalents	1,320.47	-	-	-	1,320.47
Other bank balances	154.38	-	-	-	154.38
Investments in mutual fund units	-	101.28	-	-	101.28
Trade receivables	5,363.53	-	-	-	5,363.53
Unbilled revenue	1,448.45	-	-	-	1,448.45
Other financial assets	648.20	-	-	195.59	843.79
Investments in equity shares	-	-	4.58	-	4.58
	8,935.03	**101.28**	**4.58**	**195.59**	**9,236.48**
Trade payables	798.64	-	-	-	798.64
Other financials liabilities	677.12	-	-	208.14	885.26
	1,475.76	**-**	**-**	**208.14**	**1,683.90**

(₹ Million)

December 31, 2017	Amortised Cost	Fair value through profit and loss	Fair value through other comprehensive income	Derivative instrument in hedging relationship	Total carrying / fair value
Cash and cash equivalents	882.53	-	-	-	882.53
Other bank balances	150.26	-	-	-	150.26
Investments in mutual fund units	-	189.19	-	-	189.19
Trade receivables	4,142.29	-	-	-	4,142.29
Unbilled revenue	329.92	-	-	-	329.92
Other financial assets	591.25	-	-	722.34	1,313.59
Investments in equity shares	-	-	4.58	-	4.58
	6,096.25	**189.19**	**4.58**	**722.34**	**7,012.36**
Trade payables	820.90	-	-	-	820.90
Other financials liabilities	615.36	-	-	7.89	623.25
	1,436.26	**-**	**-**	**7.89**	**1,444.15**

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

21.2 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:

(₹ Million)

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

December 31, 2017	Level I	Level II	Level III	Total
Mutual fund units	189.19	-	-	189.19
Investments in equity shares	-	-	4.58	4.58
Derivative financial assets	-	722.34	-	722.34
	189.19	**722.34**	**4.58**	**916.11**
Derivative financial liabilities	-	7.89	-	7.89

Valuation Technique

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

21.3 Financial risk management

The Company has identified the risks under verticals like Geographic and client concentration risk, credit risk, foreign currency fluctuation risk and liquidity risk. The Company has formulated policies, procedures and strategies for managing risks which is affirmed by global CEO and CFO, after consultation with all business units, functions and department heads.

Geographic and client concentration risk

In year 2018, Americas contributed 68% of the Company's total revenue (previous year 74%). The Company continues to expand its global footprint to diversify geographic concentration though Americas remains largest market for the IT industry. The Company's exposure to the US regions is in line with the global industry practices. The Company will continue to invest in the region. There are a number of other growth factors in Americas such as favour for capitalism, highest per capita income, innovation driven culture and focus to retain high end work that allow us to identify and address the pockets of inefficiencies in the most optimum way.

77% and 81% of the revenue of 2018 and 2017, respectively is generated from top 10 clients, the concentration is high for standalone as customers include subsidiaries wherein contracts with end customers are entered by such subsidiaries. At consolidated level, the concentration of revenue from top 10 customers is at 52% for the year 2018 (55% for the year 2017). Any loss or major downsizing by these clients may impact Company's profitability. Further, excessive exposure to particular clients will limit Company's negotiating capacity and expose to higher credit risk.

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

The Company's growth strategy involves a mix of new client addition and mining the accounts of existing clients. As we add more clients and grow our revenues from the existing clients, we naturally reduce our 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 our transactions are done on credit, we are exposed to credit risk on accounts receivable. Any delay, default or inability on the part of the client to pay on time will expose us to credit risk and can impact our profitability. Our maximum credit exposure is in respect of trade receivables of ₹ 5,363.53 million and ₹ 4,142.29 million as at December 31, 2018 and December 31, 2017 respectively and unbilled revenue of ₹ 1,448.45 million and ₹ 329.92 million as at December 31, 2018 and December 31, 2017 respectively.

Top 10 customer dues contribute 84% of the total outstanding as at December 31, 2018 (88% as at December 31, 2017).

Cash and cash equivalents and investments in mutual funds are neither past due nor impaired. Cash and cash equivalents include deposits with nationalised banks. The investment in liquid mutual fund units are measured at fair value through profit and loss.

Foreign Currency fluctuations Risk

Foreign exchange fluctuations is one of the key risks impacting our business. The offshore part of the revenue remains exposed to the risk of Rupee appreciation which is functional currency of the Company vis-a-vis the US Dollar, the Euro and other foreign currencies, as largely, the costs incurred are in Indian Rupees and the revenue/ inflows are in foreign currencies. The contracts we enter into with our customers tend to run across several years and many of these contracts are at fixed rates, therefore any appreciation in the Indian rupee vis-à-vis foreign currencies will affect our margins.

The Foreign Exchange Risk Management Policy authorized by the Forex Committee of the Board takes these circumstances into account and authorizes hedging on a systematic basis. These risks have been effectively addressed by the processes and controls laid out in the Foreign Exchange Risk Management Policy. The hedge ratio assigned to the exposures depends on the time horizon in which they fall, the near term exposures get a higher ratio whereas the farther exposures get a lower ratio. This graded approach ensures that hedges are spread across the hedge horizon in a tapered down manner. The exposure as indicated below is net of derivative contracts entered into by the Company.

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

(₹ Million)

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

The following table analyses foreign currency risk from financial instruments as at December 31, 2017:

(₹ Million)

Particulars	USD	EUR	GBP	Others*
Net financial assets	3,146.84	78.41	124.30	300.94
Net financial liabilities	334.98	5.87	7.51	3.04
Net assets/(liabilities)	**2,811.86**	**72.54**	**116.79**	**297.90**

10% depreciation/appreciation of the respective foreign currencies vis-a-vis functional currency of the Company would result in the increase/ decrease in Company's profit before tax approximately by ₹ 563.65 million and ₹ 329.91 million for the year ended December 31, 2018 and December 31, 2017, respectively.

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

The Company uses derivative financial instruments such as foreign exchange forward contracts to mitigate the risk of changes in foreign exchange rates on trade receivables and forecasted cash flows denominated in certain foreign currencies.

Outstanding hedges by way of forward contracts are as follows :

(In Million)

Currency Hedged	As at December 31, 2018	As at December 31, 2017
Sell USD	162.12	152.88
Sell Euro	5.84	3.90
Sell GBP	11.32	7.50

The weighted average forward rate for the hedges outstanding as at December 31, 2018 is ₹ 71.83, ₹ 88.22 and ₹ 98.70 (As at December 31, 2017 ₹ 70.98, ₹ 82.16 and ₹ 91.87) for USD, Euro and GBP, respectively. The hedges mature over the eight quarters.

10% depreciation/appreciation of the respective foreign currencies would result in the increase/ decrease in Company's other comprehensive income approximate by ₹ 149.56 million and ₹ 948.12 million for the year ended December 31, 2018 and December 31, 2017, respectively.

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

(₹ Million)

Particulars	For the year ended December 31, 2018	For the year ended December 31, 2017
Balance at the beginning of the year	465.83	240.78
Less: Net gains transferred to statement of profit or loss on occurrence of forecasted hedge transaction	(145.59)	(595.35)
Add: Changes in the fair value of the effective portion of outstanding cash flow hedges	(452.59)	855.00
Less : Deferred tax adjustment on CFHR	117.49	(34.60)
Balance at the end of the year	**(14.86)**	**465.83**

There were no material hedge ineffectiveness for the year ended December 31, 2018 and December 31, 2017.

Liquidity risk

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

As at December 31, 2018, the Company had total cash / bank balance and investments in Mutual Funds of ₹ 1,581.70 million (as at December 31, 2017 ₹ 1,229.33 million) which constitutes approximately 8% of total assets (previous year 7%). The Company does not have any debt.

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

(₹ Million)

As at December 31, 2018	Less than 1 year	1-2 years	Total
Trade and other payables	798.64	-	798.64
Derivative financial liabilities	135.19	72.95	208.14
Others (Refer note 13)	674.43	2.69	677.12
Total	**1,608.26**	**75.64**	**1,683.90**

(₹ Million)

As at December 31, 2017	Less than 1 year	1-2 years	Total
Trade and other payables	820.90	-	820.90
Derivative financial liabilities	4.49	3.40	7.89
Others (Refer note 13)	613.15	2.21	615.36
Total	**1,438.54**	**5.61**	**1,444.15**

Interest rate risk

The Company does not have any debt. The balances with banks and financial institution is in the form of current account, fixed interest rate deposits. Accordingly , the Company is not exposed to significant interest rate risk.

Capital management

The Company's objectives when managing capital is to maintain optimal capital structure to continue to provide for adequate capital in the business, returns for shareholders and benefits for other stakeholders in the form of dividends, return of capital or issue of new shares.

22 Earnings per share

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

Particulars	For the year ended December 31, 2018	For the year ended December 31, 2017
Net profit after tax (₹ Million)	4,529.60	4,109.60
Weighted average outstanding equity shares considered for basic EPS (Nos.)	296,930,534	297,430,061
Basic earnings per share (In ₹)	**15.25**	**13.82**
Weighted average outstanding equity shares considered for basic EPS (Nos.)	296,930,534	297,430,061
Add : Effect of dilutive issue of stock options (Nos.)	5,245,943	4,272,786
Weighted average outstanding equity shares considered for diluted EPS (Nos.)	302,176,477	301,702,847
Diluted earnings per share (In ₹)	**14.99**	**13.62**
Par value per share	**2.00**	**2.00**

23 Related party disclosures

Name of the Related Parties	Country
Ultimate Holding company and its Subsidiaries	
Baring Private Equity Asia GP V. LP (ultimate holding entity) (control exists)	Cayman Island
The Baring Asia Private Equity Fund V, LP	Cayman Island
Baring Private Equity Asia V Mauritius Holding (4) Limited	Mauritius
Holding Company (control exists)	
HT Global IT Solutions Holdings Limited	Mauritius
Subsidiaries	
Hexaware Technologies Inc.	United States of America
Hexaware Technologies UK Ltd.	United Kingdom
Hexaware Technologies Asia Pacific Pte. Ltd.	Singapore
Hexaware Technologies GmbH.	Germany
Hexaware Technologies Canada Ltd.	Canada
Hexaware Technologies, Mexico S. De. R.L. De. C.V.	Mexico
Hexaware Technologies DO Brazil Ltd, Brazil (1) & (7)	Brazil
Guangzhou Hexaware Information Technologies Company Limited	China
Hexaware Technologies LLC	Russia
Hexaware Technologies Saudi LLC	Saudi Arabia
Hexaware Technologies Romania SRL (1)	Romania
Hexaware Technology and Business Solutions, Inc. (2)	USA
Hexaware Technologies Hong Kong Limited (3)	China
Hexaware Technologies Nordic AB (4)	Sweden
Digitech Technologies Incorporated (5)	USA
Hexaware Information Technologies (Shanghai) Company Limited (6)	China
Associate	
Experis Technology Solutions Pte Ltd (8)	Singapore
Key Management Personnel (KMP)	
Executive Director and CEO	
Mr. R Srikrishna	
Non-executive directors	
Mr. Atul K Nishar	
Mr. Jimmy Mahtani	
Mr. Kosmas Kalliarekos	
Mr. Dileep Choksi	
Mr. Bharat Shah	
Mr. P R Chandrasekar	
Ms. Meera Shankar	
Mr. Christian Oecking	
Mr. Basab Pradhan	

Notes:

1. Subsidiary of Hexaware Technologies UK Ltd.
2. Subsidiary of Hexaware Technologies Inc., closed on 17th August 2017.
3. Formed on 18th April 2017.
4. Formed on 7th September 2017.
5. Subsidiary of Hexaware Technologies Inc., closed on September 27, 2018.
6. Formed on December 15, 2017.
7. Closed on July 24, 2018.
8. Associate of Hexaware Technologies Asia Pacific Pte Ltd .

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

(₹ Million)

Nature of transactions	Name of the Related party and Relationship	For the year ended December 31, 2018	For the year ended December 31, 2017
Investment made	**Subsidiaries**		
	Guangzhou Hexaware Information Technologies Company Limited	-	6.42
	Hexaware Technologies Nordic AB	-	0.40
	Hexaware Technologies Hong Kong Limited	-	16.13
	Hexaware Information Technologies (Shanghai) Company Limited	3.71	-
		3.71	**22.95**
Impairment in value of Investment (Refer Note 6A)	**Subsidiaries**		
	Hexaware Technologies LLC - Russia	121.65	-
	Guangzhou Hexaware Information Technologies Company Limited	11.14	-
		140.21	**22.95**
Software and consultancy income	**Subsidiaries**		
	Hexaware Technologies Inc.	9,260.53	8,118.86
	Hexaware Technologies UK Ltd.	1,579.02	1,068.63
	Others	588.90	451.97
		11,428.45	**9,639.46**
	Associate		
	Experis Technology Solutions Pte Ltd	133.24	103.73
		133.24	**103.73**
Software and development expenses -subcontracting charges	**Subsidiaries**		
	Hexaware Technologies Inc.	71.02	152.64
	Others	3.27	-
		74.29	**152.64**
Reimbursement of cost to	**Subsidiaries**		
	Hexaware Technologies UK Ltd.	15.84	23.80
	Hexaware Technologies Inc.	27.86	15.60
	Others	-	0.05
		43.70	**39.45**
Recovery of cost from	**Subsidiaries**		
	Hexaware Technologies Inc. ((including recovery of ESOP cost ₹ 165.91 Million) (previous year ₹ 128.17 Million))	563.16	564.24
	Hexaware Technologies UK Ltd.	297.89	242.00
	Others	53.60	41.35
		914.65	**847.59**
	Holding Company		
	HT Global IT Solutions Holdings Limited	-	3.82
		-	**3.82**
Remuneration to KMP and Directors			
	Short term employee benefits	4.61	3.62
	Post employee benefits	0.11	0.11
	Share based payment	51.90	49.87
	Commission and other benefits to non-executive directors	43.16	40.41
		99.78	**94.01**

Outstanding Balances (₹ Million)

Name of the Related party and Relationship	As at December 31, 2018	As at December 31, 2017
Subsidiaries		
Investment in equity (Including share application money) (Refer note no 6A & 6B)	1,894.74	2,023.82
Trade and other receivable		
- Hexaware Technologies Inc	4,574.06	3,008.39
- Others	636.67	317.75
	5,210.73	**3,326.14**
Trade payable - towards services and reimbursement of cost		
- Hexaware Technologies Inc	21.41	280.35
- Hexaware Technologies UK Ltd	7.93	-
- Others	3.16	12.06
	32.50	**292.41**
Trade receivable from Associate	49.83	18.85
Payable to / Provision for KMP's and Directors	40.87	38.55

24 The Company takes on lease office space and accommodation for its employees under various operating leases. The lease term ranges between 1 year to 9 year with option to renew. The lease rentals towards operating lease agreements recognised in the Statement of Profit and Loss for the year is ₹ 235.80 million (Previous year ₹ 216.04 million)

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

(₹ Million)

Particulars	As at December 31, 2018	As at December 31, 2017
Not later than one year	198.79	177.02
Later than one year and not later than five years	461.43	180.22
Later than 5 years	790.21	-
Total	**1,450.43**	**357.24**

25 Share Based Compensation

a) 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 Options (RSU) entitling them to one equity share of ₹ 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 5 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.

b) The particulars of number of options granted and lapsed under the aforementioned Schemes are tabulated below

Particulars	ESOP - 2007		ESOP - 2008		ESOP - 2015		Total	
	Options (nos.)	Weighted ex. Price per share (₹)	Options/ RSU's (nos.)	Weighted ex. Price per share (₹)	RSU's (nos.)	Weighted ex. Price per share (₹)	Options/ RSU's (nos.)	Weighted ex. Price per share (₹)
Outstanding at the beginning of the year	**1,79,250**	**66.07**	**29,04,239**	**2.00**	**65,83,746**	**2.00**	**96,67,235**	**3.19**
	(4,27,750)	(62.79)	(36,32,751)	(2.00)	(52,03,906)	(2.00)	(92,64,407)	(4.81)
Granted during year	**-**	**-**	**-**	**-**	**6,13,725**	**2.00**	**6,13,725**	**2.00**
	(-)	(-)	(-)	(-)	(22,95,605)	(2.00)	(22,95,605)	(2.00)
Exercised during the year	**51,000**	**67.07**	**2,31,214**	**2.00**	**2,75,018**	**2.00**	**5,57,232**	**7.96**
	(1,81,750)	(61.62)	(25,742)	(2.00)	(2,62,905)	(2.00)	(4,70,397)	(25.04)
Lapsed during the year	**1,28,250**	**65.67**	**1,86,670**	**2.00**	**7,21,484**	**2.00**	**10,36,404**	**9.88**
	(66,750)	(57.14)	(7,02,770)	(2.00)	(6,52,860)	(2.00)	(14,22,380)	(4.59)
Outstanding at the year end	**-**	**-**	**24,86,355**	**2.00**	**62,00,969**	**2.00**	**86,87,324**	**2.00**
	(1,79,250)	(66.07)	(29,04,239)	(2.00)	(65,83,746)	(2.00)	(96,67,235)	(3.19)
Exercisable as at the year end	**-**	**-**	**51,150**	**2.00**	**5,03,191**	**2.00**	**5,54,341**	**2.00**
	(1,79,250)	(66.07)	(2,46,094)	(2.00)	(4,28,988)	(2.00)	(8,54,332)	(15.44)

Previous year figures are given in bracket

c) The weighted average share price of options exercised on the date of exercise was ₹ 428.89 per share and ₹ 215.29 per share for the year ended December 31, 2018 and December 31, 2017 respectively.

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

Range of exercise price	As at December 31, 2018		As at December 31, 2017	
	Options/ RSU's (Nos)	Life	Options/ RSU's (Nos)	Life
2	86,87,324	30	94,87,985	38
59.08 - 79.85	-	-	1,79,250	3
Total	**86,87,324**		**96,67,235**	

e) The fair values of the RSU's granted in year 2018 and 2017 are determined using Black Scholes Option pricing model using following assumptions:

Particulars	Year 2018	Year 2017
Weighted Average fair value (₹)	413.44	232.32
Weighted Average share price (₹)	448.57	247.04
Dividend Yield (%)	1.59- 2.25	1.40- 2.82
Expected Life (years)	2.50 - 5.85	1.25- 4.35
Risk free interest rate (%)	7.09- 8.28	6.26- 6.73
Volatility (%)	33.60- 38.00	28.97- 37.13

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

26 Employee benefit plans

i) Provident Fund, Superannuation Fund and Other Similar Funds

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

The interest rate payable by the Trust to the beneficiaries every year is being notified by the Government. The Company has an obligation to make good the short fall, if any, between the return from the investments of the trust and the notified interest rate. The actuary has accordingly provided a valuation and based on the fund position and assumptions mentioned below, there is no shortfall as at December 31, 2018.

(₹ Million)

Particulars	As at December 31, 2018	As at December 31, 2017
Present value of benefit obligation	3,447.03	2,934.93
Fair value of plan assets	3,447.03	2,934.93
Expected Investment Return	8.43%	8.75%
Remaining term of maturities of plan assets	5.95 years	6.35 years
Expected guaranteed interest rates	8.55%	8.65%

Certain employees of the Company are entitled to benefits under the superannuation plan, a defined contribution plan. The Company makes quarterly voluntary contributions under the superannuation plan to LIC based on a specified percentage of each covered employees salary and recognises such contributions as an expense when incurred and has no further obligation to the plan beyond such contributions.

During the year, the Company has recognized expenses towards contributions to provident fund and other funds and superannuation funds of ₹ 389.15 million (Previous year ₹ 317.03 million) and ₹ 14.15 million (Previous year ₹ 8.33 million), respectively.

ii) Gratuity Plan

The Company makes annual contribution to the Employee's Company Gratuity Assurance Scheme, administered by the Life Insurance Corporation of India ('LIC'), a funded defined benefit plan for qualifying employees. The scheme provides for lump sum payment to vested employees at retirement, death while in employment or on termination of employment based on completed years of service or part thereof in excess of six months. Vesting occurs on completion of five years of service.

The following table sets out the status of the gratuity plan for the year ended December 31 :

(₹ Million)

Particulars	Year 2018	Year 2017
Change in Defined Benefit Obligation		
Opening defined benefit obligation	**659.05**	**647.55**
Current service cost	140.56	133.19
Interest cost	46.76	41.71
Adjustment for remeasurement of defined benefit plan		
- Actuarial loss/(gains) arising from change in financial assumptions	15.25	(30.83)
- Actuarial loss/(gains) arising from change in demographical assumptions	(53.77)	(20.31)
- Actuarial loss/(gains) arising on account of experience changes	(16.72)	(52.09)
Benefits paid	(73.40)	(60.16)
Closing defined benefit obligation	**717.73**	**659.05**
Change in the Fair Value of Assets		
Opening fair value of plan assets	**549.78**	**440.89**
Interest on plan assets	42.34	31.21
Remeasurement due to actual return on plan assets less interest on plan assets	(13.79)	-
Contribution by employer	58.97	137.83
Benefits paid	(73.40)	(60.16)

(₹ Million)

Particulars	Year 2018	Year 2017
Closing fair value of plan assets	**563.90**	**549.78**
Net liability as per actuarial valuation	**153.83**	**109.27**
Expense charged to statement of profit and loss:		
Current service cost	140.56	133.19
Net Interest on defined benefit plan	4.41	10.49
Total Included in Employment expenses	**144.97**	**143.68**
Amount recognised in other comprehensive income:		
Remeasurement of defined benefit plan due to -		
- changes in financial assumptions	15.25	(30.83)
- changes in demographical assumptions	(53.77)	(20.31)
- Experience adjustments	(16.72)	(52.09)
- Actual return on plan assets less interest on plan assets	13.79	-
Total amount recognised in other comprehensive income	**(41.45)**	**(103.24)**
Actual return on plan assets	**28.55**	**31.22**
Category of assets - Insurer Managed Fund #	**563.90**	**549.78**

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 ₹ 100 million to gratuity funds for the year ending December 31, 2018

Financial assumptions at the valuation date	Year 2018	Year 2017
Discount rate	7.25%	7.45%
Rate of increase in compensation levels of covered employees *	7.5% to 10%	6% to 10%
Rate of Return on Plan assets	7.25%	7.45%

* 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	As at December 31, 2018	
	Discount Rate	Salary Escalation Rate
Increase in 50 bps	-2.70%	2.82%
Decrease in 50 bps	2.84%	-2.71%

Impact on defined benefit obligation	As at December 31, 2017	
	Discount Rate	Salary Escalation Rate
Increase in 50 bps	-4.21%	4.49%
Decrease in 50 bps	4.52%	-4.22%

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	(₹ Million)
Year 1	121.52
Year 2	101.79
Year 3	97.37
Year 4	92.21
Year 5	83.81
Thereafter	**665.60**

The weighted average duration to the payment of these cash flows is 5.54 years.

27 Segments

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

28 Corporate Social Responsibility

a) Gross Amount required to be spent by the Company during the year is ₹ 89.56 million (Previous year ₹ 82.97 million)

b) Amount spent during the year on :

(₹ Million)

Sr.No.	Particulars	Amount Paid	Amount yet to be paid	Total
1	Construction/ acquisition of any asset	-	-	-
		(-)	(-)	(-)
2	On purpose other than (1) above	**90.46**	-	**90.46**
		(70.02)	(0.15)	(70.17)

Previous year figures are given in bracket

29 Contingent liabilities and commitments

29.1 **Contingent liabilities**

Claims not acknowledged as debt ₹ 28.14 million (₹ 28.14 million as at December 31, 2017), being a claim from landlord of a premise occupied by the Company in an earlier year. The Company is confident of successfully contesting the aforesaid matter and does not expect any outflow on this count.

29.2 **Claims for taxes on income**

Where Company is in appeal

Income tax demands of ₹ 9.59 million (₹ 9.59 million as on December 31, 2017) have been raised in respect of assessments completed in earlier year, arising from certain disallowances by the Income tax authorities. The Company has appealed against the orders and based on merit, expects favourable outcome. Hence, no provision against such demand is considered necessary.

29.3 Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances) ₹ 390.50 million (₹ 56.90 million as at December 31, 2017)

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

(₹ Million)

Particulars	As at December 31, 2018	As at December 31, 2017
Amount due to vendor	2.08	0.57
Principal amount paid (includes unpaid beyond the appointed date)	-	-
Interest due and paid /payable for the year	-	-
Interest accrued and remaining unpaid	-	-

Due to Micro, Small and Medium enterprise have been determined to the extent such parties have been identified on the basis of information collected by the management.

31 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.

32 Material events after Balance Sheet date

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

The Board of Directors, at its meeting held on January 31, 2019 has declared interim dividend of ₹ 2.50/- per equity share (125%). This would result in cash outflow of ₹ 896.21 Million including corporate dividend tax of ₹152.81 Million.

33 Approval of financial statements

The financial statements were approved for issue by the Board of Directors on January 30, 2019.