

Independent Auditor's Report on Review of the Unaudited Condensed Consolidated Interim Financial Statements

The Board of Directors of Hexaware Technologies Limited

Introduction

We have reviewed the accompanying unaudited condensed consolidated interim balance sheet of Hexaware Technologies Limited (“the Parent”) and its subsidiaries (the Parent and its subsidiaries together referred to as “the Group”) and its associate, as at 31 March 2020, and the related unaudited condensed consolidated interim statement of profit and loss (including other comprehensive income), the unaudited condensed consolidated interim statement of changes in equity and the unaudited condensed consolidated interim statement of cash flows for the period from 1 January 2020 to 31 March 2020, and other explanatory notes (‘Condensed Consolidated Interim Financial Statements’).

Management is responsible for the preparation and fair presentation of this Condensed Consolidated Interim Financial Statements in accordance with Indian Accounting Standard (Ind AS) 34, “Interim Financial Reporting”, as prescribed under Section 133 of the Companies Act, 2013, and other accounting principles generally accepted in India. Our responsibility is to express a conclusion on this Condensed Consolidated Interim Financial Statements based on our review.

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements (‘SRE’) 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Institute of Chartered Accountants of India. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Other Matters

We did not review the interim financial statements of 16 subsidiaries included in the Condensed Consolidated Interim Financial Statements, whose interim financial statements reflect total assets of Rs. 9,478.41 million (before consolidation adjustments) as at 31 March 2020, total revenues of Rs. 4,423.98 million (before consolidation adjustments) and net cash inflows amounting to Rs. 52.55 million (before consolidation adjustments) for the period from 1 January 2020 to 31 March 2020, as considered in the Condensed Consolidated Interim Financial Statements. These interim financial statements have been reviewed by other auditors whose reports have been furnished to us by the management and our conclusion on the Condensed Consolidated Interim Financial Statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, is based solely on the reports of the other auditors.

Report on Review of Unaudited Condensed Consolidated Interim Financial Statements (*Continued*)

Hexaware Technologies Limited

Other Matters (continued)

The interim financial statements of 2 subsidiaries whose financial statements reflect total assets of Rs. 0.06 million (before consolidation adjustments) as at 31 March 2020, total revenues of Rs. Nil (before consolidation adjustments), and net cash inflows (before consolidation adjustments) amounting to Rs. Nil million for the period from 1 January 2020 to 31 March 2020, as considered in the Condensed Consolidated Interim Financial Statements, have not been reviewed by us or by other auditors and have been furnished to us by the management. The Condensed Consolidated Interim Financial Statements also includes the Group's share of net profit (including other comprehensive income) of Rs. 0.58 million for the period from 1 January 2020 to 31 March 2020, in respect of one associate, whose financial statements have not been reviewed by us or by other auditors and have been furnished to us by the management. According to the information and explanations given to us by the management, these interim financial statements are not material to the Group.

Our conclusion on the Condensed Consolidated Interim Financial Statements is not modified in respect of the above matters.

Conclusion

Based on our review conducted as above, and based on consideration of the reports of the other auditors and on the unaudited financial statements furnished to us by the management and referred to above in the Other Matters paragraph, nothing has come to our attention that causes us to believe that the accompanying Condensed Consolidated Interim Financial Statements do not present fairly, in all material respects, the state of affairs of the Group and its associate as at 31 March 2020, and of its profit and other comprehensive income, changes in equity and its cash flows for the period from 1 January 2020 to 31 March 2020, in accordance with Indian Accounting Standard (Ind AS) 34, "Interim Financial Reporting", as prescribed under Section 133 of the Companies Act, 2013.

For B S R & Co. LLP

Chartered Accountants

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

Rajesh Mehra

Partner

Membership No: 103145

UDIN: 20103145AAAAAW4675

Mumbai

30 April 2020

HEXAWARE TECHNOLOGIES LIMITED
CONDENSED INTERIM CONSOLIDATED BALANCE SHEET

		As at <u>March-2020</u> (Unaudited)	Rupees Million As at <u>December-2019</u> (Audited)
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment	5	5,781.42	6,068.90
Capital work-in-progress		878.67	863.32
Right of use assets	3.1	4,620.51	-
Goodwill	6	12,465.96	11,760.88
Other intangible assets	7	2,548.12	2,545.64
Financial assets			
- Investments	8	30.57	29.99
- Loans - Security deposits	9A	427.74	412.00
- Other financial assets	10A	68.61	113.37
Deferred tax assets (net)	11	1,557.18	1,437.20
Income tax assets (net)		363.56	380.14
Other non-current assets	12A	328.85	823.91
Total non-current assets		<u>29,071.19</u>	<u>24,435.35</u>
Current assets			
Financial assets			
- Trade receivables	13	10,041.72	9,795.61
- Unbilled receivables		4,247.34	3,535.47
- Cash and cash equivalents	14A	4,192.94	2,316.43
- Other bank balances	14B	149.20	149.11
- Loans - Security deposits	9B	8.87	7.66
- Other financial assets	10B	197.65	331.44
Income tax assets (net)		130.69	131.95
Other current assets	12B	889.51	984.38
Total current assets		<u>19,857.92</u>	<u>17,252.05</u>
Total assets		<u>48,929.11</u>	<u>41,687.40</u>
EQUITY AND LIABILITIES			
Equity			
Equity share capital	15	596.77	596.77
Other equity		28,436.72	27,057.86
Total equity		<u>29,033.49</u>	<u>27,654.63</u>
Non-current liabilities			
Financial liabilities			
- Borrowings		1,514.75	1,429.46
- Lease liabilities	3.1	3,599.42	-
- Other financial liabilities	16A	305.19	44.82
Provisions - Employee benefit obligations in respect of Gratuity		535.29	428.40
Total non-current liabilities		<u>5,954.65</u>	<u>1,902.68</u>
Current liabilities			
Financial liabilities			
- Borrowings (secured)		2,505.63	1.27
- Lease liabilities	3.1	592.57	-
- Trade and other payables	17	4,276.37	3,949.15
- Other financial liabilities	16B	4,533.55	6,207.82
Other current liabilities	18	907.85	955.93
Provisions			
- Employee benefit obligations in respect of compensated absences and others		936.60	824.76
Income tax liabilities (net)		188.40	191.16
Total current liabilities		<u>13,940.97</u>	<u>12,130.09</u>
Total liabilities		<u>19,895.62</u>	<u>14,032.77</u>
Total equity and liabilities		<u>48,929.11</u>	<u>41,687.40</u>

The accompanying notes 1 to 33 form an integral part of the condensed interim consolidated financial statements

As per our report of even date

For B S R & Co. LLP

Chartered Accountants

Firm registration number: 101248W/W-100022

For and on behalf of the Board of Directors

(CIN: L72900MH1992PLC069662)

Rajesh Mehra

Partner

Membership number: 103145

Mumbai

April 29, 2020

Atul K Nishar

(Director)

(DIN 00307229)

Mumbai

April 29, 2020

R. Srikrishna

(CEO & Executive Director)

(DIN-03160121)

New Jersey

April 29, 2020

HEXAWARE TECHNOLOGIES LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT AND LOSS

Rupees Million
(except EPS)

	Note	For the quarter ended	
		March-2020 (Unaudited)	March-2019 (Audited)
INCOME			
Revenue from operations	28	15,417.55	12,640.19
Exchange rate difference (net)		434.17	(82.54)
Other income	19	5.46	40.74
Total income		15,857.18	12,598.39
EXPENSES			
Software and development expenses	20	2,763.24	3,054.61
Employee benefits expense	21	9,174.23	6,660.85
Operation and other expenses	22	1,144.10	1,038.09
Finance charges	23	111.90	0.07
Depreciation and amortisation expense	3.1, 5, 7	517.71	148.27
Total expenses		13,711.18	10,901.89
Profit before tax and share in profit of associate		2,146.00	1,696.50
Share in profit of associate (Net of tax)		0.58	0.61
Profit before tax		2,146.58	1,697.11
Tax expense			
- Current tax		428.80	430.28
- Deferred (Credit)		(31.85)	(117.94)
Total tax expense		396.95	312.34
Profit for the period		1,749.63	1,384.77
Other comprehensive income (OCI):			
<i>i) Items that will not be reclassified to profit or loss</i>			
- Remeasurement of defined benefit plan		(60.33)	29.53
- Income tax relating to items that will not be reclassified to profit or loss		9.87	(2.67)
<i>ii) Items that will be reclassified to profit or loss</i>			
- Net change in fair value of cash flow hedges		(626.40)	345.02
- Exchange differences in translating the financial statements of foreign operations		403.17	(51.75)
- Income tax relating to items that will be reclassified to profit or loss		(64.28)	(73.03)
Total other comprehensive income / (loss)		(337.97)	247.10
Total comprehensive income for the period		1,411.66	1,631.87
Earnings per share (EPS) (In Rupees)			
Basic	24	5.86	4.65
Diluted		5.79	4.58

The accompanying notes 1 to 33 form an integral part of the condensed interim consolidated financial statements

As per our report of even date

For B S R & Co. LLP

Chartered Accountants

Firm registration number: 101248W/W-100022

For and on behalf of the Board of Directors

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Rajesh Mehra

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Membership number: 103145

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R. Srikrishna

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New Jersey

April 29, 2020

HEXAWARE TECHNOLOGIES LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

A. Equity share capital

	Rupees Million	
	March-2020 (Unaudited)	March-2019 (Audited)
Outstanding at the beginning of the period / year	596.77	594.72
Add: On issue of shares during the period / year	-	0.69
Outstanding at the end of the period / year (Refer note 15)	596.77	595.41

B. Other equity

(Unaudited)	Rupees Million										
	Share application money pending allotment	Securities premium	Capital reserve	Capital redemption reserve	SEZ Re-investment reserve	Share option outstanding account	General reserve	Retained earnings	Foreign currency translation reserve	Cashflow hedge reserve (CFHR)	Total
Balances as at December 31, 2019	-	3,846.22	2.88	11.39	-	807.77	2,144.05	18,239.72	1,779.77	226.06	27,057.86
Transition adjustment (Refer note 3.1)	-	-	-	-	-	-	-	(241.71)	-	-	(241.71)
Balances as at January 1, 2020	-	3,846.22	2.88	11.39	-	807.77	2,144.05	17,998.01	1,779.77	226.06	26,816.15
Profit for the period	-	-	-	-	-	-	-	1,749.63	-	-	1,749.63
Other comprehensive income / (loss) (net of tax)	-	-	-	-	-	-	-	(50.48)	403.13	(562.12)	(209.45)
Total comprehensive income for the period	-	-	-	-	-	-	-	1,699.17	403.13	(562.12)	1,540.18
Dividend paid (including dividend tax)	-	-	-	-	-	-	-	-	-	-	-
Transfer to SEZ Re-investment reserve	-	-	-	-	35.36	-	-	(35.36)	-	-	-
Transfer from SEZ Re-investment reserve	-	-	-	-	(35.36)	-	-	35.36	-	-	-
Received / transferred on exercise of stock options	0.42	-	-	-	-	-	-	-	-	-	0.42
Compensation related to employee share based payments	-	-	-	-	-	79.97	-	-	-	-	79.97
As at March 31, 2020	0.42	3,846.22	2.88	11.39	-	887.74	2,144.05	19,697.18	2,182.90	(336.06)	28,436.72
(Audited)											
Balances as at January 1, 2019	0.42	3,635.69	2.88	11.39	476.45	991.75	2,144.05	14,574.38	1,501.78	(14.86)	23,323.93
Profit for the period	-	-	-	-	-	-	-	1,384.77	-	-	1,384.77
Other comprehensive income / (loss) (net of tax)	-	-	-	-	-	-	-	26.86	(51.75)	271.99	247.10
Total comprehensive income for the period	-	-	-	-	-	-	-	1,411.63	(51.75)	271.99	1,631.87
Dividend paid (including dividend tax)	-	-	-	-	-	-	-	(897.24)	-	-	(897.24)
Tax benefit on share based compensation	-	-	-	-	-	-	-	(3.39)	-	-	(3.39)
Transfer to SEZ Re-investment reserve	-	-	-	-	94.60	-	-	(94.60)	-	-	-
Transfer from SEZ Re-investment reserve	-	-	-	-	(153.87)	-	-	153.87	-	-	-
Received / transferred on exercise of stock options	(0.42)	72.03	-	-	-	(72.03)	-	-	-	-	(0.42)
Compensation related to employee share based payments	-	-	-	-	-	43.03	-	-	-	-	43.03
As at March 31, 2019	-	3,707.72	2.88	11.39	417.18	962.75	2,144.05	15,144.65	1,450.03	257.13	24,097.78

Description of component of Other equity

- Securities premium is used to record the premium received on issue of shares to be utilized in accordance with the provisions of the Companies Act, 2013 .
- Capital reserve represent reserve on amalgamation
- Capital redemption reserve is created on buy-back of the equity shares in accordance with the provisions of the Act.
- The Special Economic Zone Re-Investment Reserve has been created out of profit of eligible SEZ units as per provisions of section 10AA (1)(ii) of the Income-tax Act, 1961 for acquiring new plant and machinery.
- Share option outstanding account is used to record the value of equity-settled share based payment transactions with employees. The amounts recorded in this account are transferred to securities premium upon exercise of stock options by employees.
- General reserve represents appropriation of profits by the Company.
- Retained earnings comprise of the accumulated undistributed earnings.

The accompanying notes 1 to 33 form an integral part of the condensed interim consolidated financial statements

As per our report of even date

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

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

Rajesh Mehra
Partner
Membership number: 103145
Mumbai
April 29, 2020

Atul K Nishar
(Director)
(DIN 00307229)
Mumbai
April 29, 2020

R. Srikrishna
(CEO & Executive Director)
(DIN-03160121)
New Jersey
April 29, 2020

HEXAWARE TECHNOLOGIES LIMITED
CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT

	Rupees Million	
	For the period ended	
	<u>March-2020</u>	<u>March-2019</u>
	(Unaudited)	(Audited)
Cash Flow from operating activities		
Net Profit before tax	2,146.58	1,697.11
Adjustments for:		
Depreciation and amortization expense	372.71	148.27
Employee stock option compensation cost	79.95	43.03
Interest income	(2.40)	(35.14)
Provision for doubtful accounts (net of write back)	44.60	19.04
Debts and advances written off	9.42	-
Dividend from investments	(0.58)	(1.30)
Profit on sale of property, plant and equipment (PPE) (net)	(0.49)	(1.30)
Amortization of leases	145.00	-
Exchange rate difference (net) - unrealised	1.11	9.46
Interest expense	39.60	0.07
Share in profit of associate	(0.58)	(0.61)
Finance charges - Leases	72.30	-
Operating profit before working capital changes	2,907.22	1,878.63
Adjustments for:		
Trade receivables and other assets	(432.62)	263.18
Trade payables and other liabilities	(201.12)	(308.85)
Cash generated from operations	2,273.48	1,832.96
Direct taxes paid (net)	(344.78)	(302.09)
Net cash from operating activities	1,928.70	1,530.87
Cash flow from investing activities		
Purchase of PPE, intangibles including CWIP and capital advances	(335.98)	(249.13)
Proceeds from sale of property, plant and equipment	0.75	1.37
Purchase of investments	0.00	(383.83)
Proceeds from sale/ redemption of investments	-	342.50
Payment for acquisition of business	(2,106.88)	-
Dividend from investments	0.58	1.30
Interest received	1.28	34.39
Net cash used in investing activities	(2,440.25)	(253.40)
Cash flow from financing activities		
Proceeds from issue of shares / share application money (net)	0.42	0.27
Lease rent paid	(143.85)	-
Proceeds from short term borrowing (net)	2,504.36	-
Interest paid	(39.60)	(0.07)
Dividend paid (including corporate dividend tax)	-	(897.24)
Net cash from / (used in) financing activities	2,321.33	(897.04)
Net Increase in cash and cash equivalents	1,809.78	380.43
Cash and cash equivalents at the beginning of the period	2,316.43	8,050.55
Unrealised loss / (gain) on foreign currency cash and cash equivalents	66.73	(64.63)
Cash and cash equivalents at the end of the period (Refer Note 14A)	4,192.94	8,366.35

The accompanying notes 1 to 33 form an integral part of the condensed interim consolidated financial statements

As per our report of even date

For B S R & Co. LLP

Chartered Accountants

Firm registration number: 101248W/W-100022

For and on behalf of the Board of Directors

(CIN: L72900MH1992PLC069662)

Rajesh Mehra

Partner

Membership number: 103145

Mumbai

April 29, 2020

Atul K Nishar

(Director)

(DIN 00307229)

Mumbai

April 29, 2020

R. Srikrishna

& Executive Director

(DIN-03160121)

New Jersey

April 29, 2020

HEXAWARE TECHNOLOGIES LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1 Corporate Information

Hexaware Technologies Limited ("Hexaware" or "the Company") is a public limited company incorporated in India. The Holding Company together with its subsidiaries ("the Group") is engaged in information technology consulting, software and development, 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 solutions, infrastructure management, business intelligence and analytics, digital assurance (testing) and business process services

2 Significant Accounting Policies

The condensed interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles in India including Ind AS 34 Interim Financial Reporting and using the same accounting policies as followed in the audited financial statements for the year ended on December 31, 2019 except in relation to the Leases as discussed in note 3.1 below. These condensed consolidated interim financial statements do not include all of the information required in annual financial statements and should be read in conjunction with the company's financial statements for the year ended December 31, 2019.

HEXAWARE TECHNOLOGIES LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

3.1 Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract and allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components

The Company recognises right-of-use asset representing its right to use the underlying asset for the lease term at the lease commencement date. The cost of the right-of-use asset measured at inception shall comprise of the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date less any lease incentives received, plus any initial direct costs incurred and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset or restoring the underlying asset or site on which it is located.

The right-of-use assets is subsequently measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability. The right-of-use assets is depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Right-of-use assets are tested for impairment whenever there is any indication that their carrying amounts may not be recoverable. Impairment loss, if any, is recognised in the statement of profit and loss.

The Company measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses incremental borrowing rate. For leases with reasonably similar characteristics, the Company, on a lease by lease basis, may adopt either the incremental borrowing rate specific to the lease or the incremental borrowing rate for the portfolio as a whole. The lease payments shall include fixed payments, variable lease payments, residual value guarantees, exercise price of a purchase option where the Company is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is subsequently remeasured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. The company recognises the amount of the re-measurement of lease liability due to modification as an adjustment to the right-of-use asset and statement of profit and loss depending upon the nature of modification. Where the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company recognises any remaining amount of the re-measurement in statement of profit and loss.

The Company has elected not to apply the requirements of Ind AS 116 to short-term leases of all assets that have a lease term of 12 months or less and leases for which the underlying asset is of low value. The lease payments associated with these leases are recognized as an rent expense on a straight-line basis over the lease term

Company as a lessor

At the inception of the lease the Company classifies each of its leases as either an operating lease or a finance lease. The Company recognises lease payments received under operating leases as income on a straight- line basis over the lease term. In case of a finance lease, finance income is recognised over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease. When the Company is an intermediate lessor it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Company applies Ind AS 115 Revenue to allocate the consideration in the contract.

3.1 Leases (cont'd)

Transition to Ind AS 116

Ministry of Corporate Affairs ("MCA") through Companies (Indian Accounting Standards) Amendment Rules, 2019 and Companies (Indian Accounting Standards) Second Amendment Rules, has notified Ind AS 116 Leases which replaces the existing lease standard, Ind AS 17 leases, and other interpretations. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. It introduces a single, on-balance sheet lease accounting model for lessees.

The Company has adopted Ind AS 116 ("the Standard"), effective annual reporting period beginning January 1, 2020 and applied the standard to its leases using modified retrospective approach, with the cumulative effect of initially applying the Standard, recognised on the date of initial application (January 1, 2020). Accordingly, the Company has not restated comparative information, instead, the cumulative effect of initially applying this Standard has been recognised as an adjustment to the opening balance of retained earnings as on January 1, 2020.

Refer note 2.5 – Significant accounting policies – Leases in the Annual report of the Company for the year ended December 31, 2019, for the policy as per Ind AS 17.

In adopting Ind AS 116, the Company has adopted following practical expedient

- The Company has applied single discount rate to a portfolio of lease with reasonably similar characteristics.
- The Company has treated the leases with lease term of less than 12 months as if they were "short term leases" and also not applied IndAS 116 to the low value assets.
- The Company has excluded the initial direct costs from measurement of right- of- use- assets at the date of transition.
- The Company has used hindsight, in determining the lease term if the contract contains options to extend or terminate the lease.

HEXAWARE TECHNOLOGIES LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

3.1 Leases (cont'd)

On account of the aforesaid change, the Operations and other expenses is lower by Rs. 166.88 Million, Depreciation and amortization is higher by Rs. 145.00 Million and Finance costs is higher by Rs. 72.30 million for the quarter ended March 31, 2020.

Further, a right-of-use asset of Rs 3,993.63 Million and a corresponding lease liability of Rs 3,755.78 Million has been recognized. In respect of leases that were classified as finance leases applying Ind AS 17, an amount of Rs 254.76 Million has been reclassified from property, plant and equipment to right-of-use asset. Prepaid rent on leasehold land, which were earlier classified under Other assets have been reclassified to right-of-use assets aggregating to Rs. 518.55 Million and an amount of Rs46.49 million in other current financial liabilities has been adjusted against right-of-use asset. The cumulative effect on transition in retained earnings is Rs. 241.71 Million (net of deferred tax of Rs.50.23 Million).

On application of Ind AS 116, the nature of expenses has changed from lease rent in previous periods to depreciation cost for the right-to-use asset, and finance cost for interest accrued on lease liability.

The difference between the future minimum lease rental commitments towards non-cancellable operating leases and finance leases reported as at December 31, 2019 compared to the lease liability as accounted as at January 1, 2020 is primarily due to inclusion of present value of the lease payments for the cancellable term of the leases, reduction due to discounting of the lease liabilities as per the requirement of Ind AS 116 and exclusion of the commitments for the leases to which the Company has chosen to apply the practical expedient as per the standard.

The details of the right-of-use assets held by the Group is as follows:

	<u>Office</u> <u>premises</u>	<u>Leasehold</u> <u>Land</u>	<u>Total</u>
(Unaudited)			
<u>COST</u>			
At January 1, 2020	3,729.85	518.55	4,248.40
Additions	517.11	-	517.11
Disposals / adjustments	-	-	-
At March 31, 2020	<u>4,246.96</u>	<u>518.55</u>	<u>4,765.51</u>
<u>ACCUMULATED DEPRECIATION</u>			
At January 1, 2020	-	-	-
Charge for the period	143.45	1.55	145.00
Disposals / adjustments	-	-	-
At March 31, 2020	<u>143.45</u>	<u>1.55</u>	<u>145.00</u>
<u>NET CARRYING AMOUNT</u>			
At March 31, 2020	<u>4,103.51</u>	<u>517.00</u>	<u>4,620.51</u>

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

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

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

The above amendments was effective from the annual periods beginning January 1, 2020. The Company does not have any impact due to this amendment.

4 Subsidiaries to consolidation

The consolidated financial statements present the consolidated accounts of Hexaware Technologies Limited with the following wholly owned subsidiary accounts drawn upto the same reporting date as that of the Holding Company. The primary activity of all the subsidiaries is providing information technology and consultancy services.

Sr No.	Name of the Entity	Country of Incorporation
Subsidiaries		
1	Hexaware Technologies Inc.	United States of America
2	Hexaware Technologies, Mexico S. De. R.L. De. C.V.	Mexico
3	Hexaware Technologies UK Ltd.	United Kingdom
4	Hexaware Technologies Asia Pacific Pte Limited	Singapore
5	Hexaware Technologies GmbH.	Germany
6	Hexaware Technologies Canada Limited.	Canada
7	Guangzhou Hexaware Information Technologies Company Limited	China
8	Hexaware Technologies LLC	Russia
9	Hexaware Technologies Saudi LLC	Saudi Arabia
10	Hexaware Technologies Romania SRL (Subsidiary of Hexaware Technologies UK Ltd)	Romania
11	Hexaware Technologies Hong Kong Limited	China
12	Hexaware Technologies Nordic AB	Sweden
13	Hexaware Information Technologies (Shanghai) Company Limited	China
14	Mobiquity Inc (Acquired on 13th June 2019, Subsidiary of Hexaware Technologies Inc.)	USA
15	Mobiquity Velocity Solutions, Inc (Subsidiary of Mobiquity Inc.)	USA
16	Mobiquity Velocity Cooperatief UA ((Subsidiary of Mobiquity Inc.)	Netherland
17	Mobiquity BV (Subsidiary of Mobiquity Velocity Cooperative UA)	Netherland
18	Morgan Clark BV (Subsidiary of Mobiquity Velocity Cooperative UA)	Netherland
19	Mobiquity Softech Private Limited (Acquired on 13th June 2019, Subsidiary of Hexaware Technologies Limied)	India
20	Montana Merger Sub Inc. (Formed on June 7, 2019 as subsidiary of Hexaware Technologies Inc and merged with Mobiquity Inc, on June 13, 2019)	USA
21	Hexaware Technologies South Africa (Pty) Ltd (formed on November 25, 2019, Subsidiary of Hexaware Technologies UK Ltd)	South Africa
Associate		
1	Experis Technology Solutions Pte. Ltd. (Associate of Hexaware Technologies Asia Pacific Pte Ltd.)	Singapore

HEXAWARE TECHNOLOGIES LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
5 Property, Plant and Equipment (PPE)

Rupees Million

PPE consist of the following:

	<u>Freehold Land</u>	<u>Buildings</u>	<u>Plant and Machinery</u>	<u>Furniture and Fixtures</u>	<u>Vehicles</u>	<u>Office Equipment</u>	<u>Leasehold Improvements</u>	<u>Total</u>
(Unaudited)								
COST								
At December 31, 2019	0.15	3,913.49	3,219.63	1,216.50	20.55	1,921.17	235.75	10,527.24
Reclassified to ROU		(345.47)						(345.47)
At January 1, 2020	0.15	3,568.02	3,219.63	1,216.50	20.55	1,921.17	235.75	10,181.77
Additions	-	-	108.61	20.19	-	28.38	38.44	195.62
Disposals / adjustments	-	4.40	(43.83)	(34.55)	-	(0.48)	(5.68)	(80.14)
Translation exchange difference	-	-	17.44	4.59	0.12	5.67	3.62	31.44
At March 31, 2020	0.15	3,572.42	3,301.85	1,206.73	20.67	1,954.74	272.13	10,328.69
ACCUMULATED DEPRECIATION								
At December 31, 2019	-	420.93	2,144.75	633.25	15.94	1,091.41	152.06	4,458.34
Reclassified to ROU	-	(90.71)	-	-	-	-	-	(90.71)
At January 1, 2020	-	330.22	2,144.75	633.25	15.94	1,091.41	152.06	4,367.63
Charge for the period	-	21.40	102.07	16.26	0.45	65.36	14.96	220.50
Disposals / adjustments	-	-	(35.62)	(7.16)	-	(10.77)	(6.93)	(60.48)
Translation exchange difference	-	-	8.94	3.61	0.12	3.32	3.63	19.62
At March 31, 2020	-	351.62	2,220.14	645.96	16.51	1,149.32	163.72	4,547.27
NET CARRYING AMOUNT								
At March 31, 2020	0.15	3,220.80	1,081.71	560.77	4.16	805.42	108.41	5,781.42
(Audited)								
COST								
At January 1, 2019	0.15	3,030.10	2,423.76	785.97	18.87	1,293.50	152.00	7,704.35
Additions	-	886.26	793.01	420.04	2.57	609.50	60.97	2,772.35
Additions on acquisition	-	-	87.08	21.58	-	18.69	16.19	143.54
Disposals	-	(2.87)	(102.96)	(15.03)	(0.93)	(4.43)	-	(126.22)
Translation exchange difference	-	-	18.74	3.94	0.04	3.91	6.59	33.22
At December 31, 2019	0.15	3,913.49	3,219.63	1,216.50	20.55	1,921.17	235.75	10,527.24
ACCUMULATED DEPRECIATION								
At January 1, 2019	-	363.57	1,885.10	554.53	14.00	945.05	114.25	3,876.50
Charge for the year	-	57.78	337.38	91.11	2.83	147.77	32.99	669.86
Disposals	-	(0.42)	(92.03)	(15.03)	(0.93)	(3.97)	-	(112.38)
Translation exchange difference	-	-	14.30	2.64	0.04	2.56	4.82	24.36
At December 31, 2019	-	420.93	2,144.75	633.25	15.94	1,091.41	152.06	4,458.34
NET CARRYING AMOUNT								
At December 31, 2019	0.15	3,492.56	1,074.88	583.25	4.61	829.76	83.69	6,068.90

Note:

i) Plant and machinery includes computer systems

ii) Buildings as at December 31, 2019 includes office premises taken on finance lease of gross value of Rs. 345.47 million and net carrying value of Rs. 254.76 million.

HEXAWARE TECHNOLOGIES LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

6 Goodwill

Following is a summary of changes in the carrying amount of goodwill:

Rupees Million

As at December 31, 2018 (Audited)	1,809.08
On acquisition during the year	9,581.77
Translation exchange rate difference	<u>370.03</u>
As at December 31, 2019 (Audited)	<u><u>11,760.88</u></u>
Translation exchange rate difference for the period	<u>705.08</u>
As at March 31, 2020 (Unaudited)	<u><u>12,465.96</u></u>

HEXAWARE TECHNOLOGIES LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

7 Other intangible assets

Rupees Million

Other intangible assets consist of the following:

(Unaudited)	Brand	Software licenses	Customer Contracts/Relations	Total
<u>COST</u>				
At January 1, 2020	160.02	794.87	2,718.40	3,673.29
Additions	-	11.59	-	11.59
Disposals / Adjustments	-	0.44	-	0.44
Translation exchange difference	9.59	5.93	132.85	148.37
At March 31, 2020	<u>169.61</u>	<u>812.83</u>	<u>2,851.25</u>	<u>3833.69</u>
<u>ACCUMULATED AMORTISATION</u>				
At January 1, 2020	56.52	696.48	374.62	1,127.62
Amortisation for the period	26.56	15.40	110.27	152.23
Disposals	-	0.15	-	0.15
Translation exchange difference	4.02	5.51	(3.96)	5.57
At March 31, 2020	<u>87.10</u>	<u>717.54</u>	<u>480.93</u>	<u>1285.57</u>
<u>NET CARRYING AMOUNT</u>				
At March 31, 2020	<u>82.51</u>	<u>95.29</u>	<u>2,370.32</u>	<u>2548.12</u>
(Audited)				
<u>COST</u>				
At January 1, 2019	-	678.91	-	678.91
Additions	-	50.94	139.63	190.57
Additions on acquisition	154.72	-	2,361.23	2,515.95
Disposals	-	61.25	-	61.25
Translation exchange difference	5.30	3.75	101.52	110.57
At December 31, 2019	<u>160.02</u>	<u>794.85</u>	<u>2,602.38</u>	<u>3557.25</u>
<u>ACCUMULATED AMORTISATION</u>				
At January 1, 2019	-	574.32	-	574.32
Amortisation for the year	55.69	67.52	240.46	363.67
Disposals	-	51.08	(2.01)	49.07
Translation exchange difference	0.83	3.57	20.15	24.55
At December 31, 2019	<u>56.52</u>	<u>696.49</u>	<u>258.60</u>	<u>1011.61</u>
<u>NET CARRYING AMOUNT</u>				
At December 31, 2019	<u>103.50</u>	<u>98.36</u>	<u>2,343.78</u>	<u>2545.64</u>

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

HEXAWARE TECHNOLOGIES LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

	<u>As at</u> <u>March-2020</u> (Unaudited)	<u>As at</u> <u>December-2019</u> (Audited)
8 Investments		
Non current investments in equity shares (unquoted)		
<u>Investment in Associate</u>		
250,000 shares of USD 1/- each in Experis Technology Solutions Pte. Ltd. (The Group is in process to dispose the investments)	25.99	25.41
<u>Other Investments</u>		
<u>At fair value through other comprehensive Income</u>		
240,958 equity shares of Rs. 10/- each in Beta Wind Farm Pvt. Ltd.	4.58	4.58
	<u>30.57</u>	<u>29.99</u>
9 Loans (Unsecured, considered good)		
A Non-current		
Security deposits for premises and others (a)	<u>427.74</u>	<u>412.00</u>
B Current		
Security deposits for premises and others	<u>8.87</u>	<u>7.66</u>
(a) Exclude deposits aggregating Rs. 34.56 million and Rs. 34.56 million impaired basis the expected credit loss model as of December 31, 2019 and December 31, 2018 respectively.		
10 Other financial assets (unsecured, considered good)		
A Non-current		
Interest accrued on bank deposits	0.39	0.57
Foreign currency derivative assets	3.90	49.90
Restricted bank balances (a)	64.32	62.90
	<u>68.61</u>	<u>113.37</u>
(a) Restriction on account of bank deposits held as margin money.		
B Current		
Interest accrued on bank deposits	1.52	0.22
Receivable from service provider	-	15.49
Foreign currency derivative assets	87.03	228.49
Employee advances	109.10	87.24
	<u>197.65</u>	<u>331.44</u>

HEXAWARE TECHNOLOGIES LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

11	Components of deferred taxes as at:	Rupees Million	
		<u>March-2020</u>	<u>December-2019</u>
		(Unaudited)	(Audited)
	Deferred tax assets		
	Allowance for doubtful debts and advances	51.44	44.15
	Brought forward losses	177.06	167.04
	Employee benefit obligations	388.62	355.50
	Leases	62.56	-
	Minimum alternate tax credit carry forward	1,606.91	1,636.12
	Share based payment	35.49	56.75
	Unrealised loss on cash flow hedges	104.45	40.17
	Others	20.77	11.49
	Total	2,447.30	2,311.22
	Deferred tax liabilities		
	Depreciation	248.11	237.77
	Intangible assets	642.01	636.25
	Total	890.12	874.02
	Net deferred tax asset	1,557.18	1,437.20

HEXAWARE TECHNOLOGIES LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

	<u>As at</u> <u>March-2020</u> (Unaudited)	<u>As at</u> <u>December-2019</u> (Audited)
12 Other assets (unsecured)		
A Non-current		
Capital advances	13.10	17.41
Contract asset	118.02	95.11
Prepaid expenses relating to leasehold land (Refer note 3.1)	-	527.64
Other prepaid expenses	66.61	59.19
Indirect taxes recoverable	131.12	124.56
	<u>328.85</u>	<u>823.91</u>
B Current		
Contract asset	59.62	59.62
Prepaid expenses	718.31	742.77
Indirect taxes recoverable	86.37	159.52
Others	25.21	22.47
	<u>889.51</u>	<u>984.38</u>
13 Trade receivables (unsecured)		
Considered good	10,041.72	9,795.61
Considered doubtful	238.38	178.20
Less: Credit impaired	(238.38)	(178.20)
	<u>10,041.72</u>	<u>9,795.61</u>
14 Cash and bank balances		
A Cash and cash equivalents		
Remittance in transit	282.09	85.61
Cash in hand	0.05	0.04
In current accounts with banks	3,871.90	2,152.90
Bank deposit accounts with less than 3 months maturity	38.90	77.88
Unclaimed dividend accounts	149.20	149.11
Margin money with banks (Refer note 10A)	64.32	62.90
	<u>4,406.46</u>	<u>2,528.44</u>
Less: Restricted bank balances	(213.52)	(212.01)
	<u>4,192.94</u>	<u>2,316.43</u>
B Other bank balances		
Restricted bank balances in respect of unclaimed dividend	149.20	149.11
	<u>149.20</u>	<u>149.11</u>

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

		Rupees Million (except per share data)	
		As at March-2020 (Unaudited)	As at December-2019 (Audited)
15 Equity share capital			
15.1 <u>Authorised capital</u>			
	525,000,000 Equity shares of Rs. 2 each	1,050.00	1,050.00
	1,100,000 Series "A" Preference Shares of Rs.1,421 each	1,563.10	1,563.10
15.2 <u>Issued, subscribed and paid-up capital</u>			
	Equity shares of Rs. 2 each	596.77	596.77
15.3 <u>Reconciliation of number of shares</u>			
	Shares outstanding at the beginning of the period / year	298,384,321	297,360,989
	Shares issued during the period / year	-	1,023,332
	Shares outstanding at the end of the period / year	298,384,321	298,384,321
15.4 <u>Rights, preferences and restrictions attached to equity shares</u>	The Company has one class of equity shares having a par value of Rs. 2 each. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing annual general meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all liabilities, in proportion to their shareholding.		
15.5 <u>Details of shares held by shareholders holding more than 5% shares</u>			
	<u>Name of shareholder</u>		-
	HT Global IT Solutions Holdings Ltd. (Holding Company)	No. of shares held 186,318,590	186,318,590
		% of holding 62.44%	62.44%
	HDFC Trustee Company Ltd.	No. of shares held 20,080,154	19,927,531
		% of holding 6.73%	6.68%
15.6	During the year ended December 31, 2017, the Company bought back 5,694,835 shares at Rs. 240 per share aggregating Rs. 1,366.76 million by utilisation of securities premium. The cost relating to buy-back was charged to other equity.		
15.7 <u>Shares reserved for issue under options</u>	The Company has granted employee stock options under ESOP 2007 and 2008 schemes and restricted stock units (RSU's) under the ESOP 2008 and 2015 scheme. Each option/RSU entitles the holder to one equity share of Rs. 2 each. 5,778,430 options / RSU's were outstanding as on March 31, 2020 (7,824,439 as on December 31, 2019).		
15.8	The dividend per share recognised as distribution to equity shareholders during the period ended March 31, 2020 was Rs. Nil per share (period ended March 31, 2019 Rs. 2.50 per share and year ended December 31, 2019 Rs. 8.50 per share)		

HEXAWARE TECHNOLOGIES LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

	<u>As at</u> <u>March-2020</u> (Unaudited)	<u>As at</u> <u>December-2019</u> (Audited)
16 Other financial liabilities		
A Non-current		
Capital creditors	1.18	1.18
Derivative liabilities	301.63	31.40
Others	2.38	12.24
	<u>305.19</u>	<u>44.82</u>
B Current		
Unclaimed dividend	149.20	149.11
Capital creditors	297.19	419.47
Deferred consideration (Refer note 6(a))	1,480.08	3,490.46
Deposit received from customer	0.03	0.03
Employee liabilities	2,289.40	2,081.96
Derivative liabilities	317.65	66.79
	<u>4,533.55</u>	<u>6,207.82</u>
17 Trade and other payables		
Trade payables	2,450.96	2,063.37
Accrued expenses	1,825.41	1,885.78
	<u>4,276.37</u>	<u>3,949.15</u>
18 Other liabilities		
Current		
Unearned revenues	332.40	341.64
Statutory liabilities	575.45	614.29
	<u>907.85</u>	<u>955.93</u>

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

	Rupees Million	
	For the quarter ended	
	<u>March-2020</u>	<u>March-2019</u>
	(Unaudited)	(Audited)
19 Other income		
Dividend	0.58	1.30
Interest income	2.40	35.14
(Loss) / profit on sale of property, plant and equipment (net)	0.49	1.30
Miscellaneous income	1.99	3.00
	<u>5.46</u>	<u>40.74</u>
20 Software and development expenses		
Software expenses *	2,280.71	2,605.45
Other expenses	482.53	449.16
	<u>2,763.24</u>	<u>3,054.61</u>
* includes sub- contracting charges	2,104.89	2,245.75
21 Employee benefits expense		
Salary and allowances	7,989.71	5,766.04
Contribution to provident, other funds and benefits	866.86	708.81
Staff welfare expenses	237.71	142.97
Employee stock option compensation cost	79.95	43.03
	<u>9,174.23</u>	<u>6,660.85</u>

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

	For the quarter ended	
	<u>March-2020</u>	<u>March-2019</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
22 Operation and Other Expenses		
Rent	15.95	106.70
Rates and taxes	12.81	7.76
Travelling and conveyance	207.65	234.89
Electricity charges	68.70	55.60
Communication expenses	92.68	68.68
Repairs and maintenance	190.49	136.28
Printing and stationery	11.52	16.20
Auditors remuneration	8.51	9.11
Legal and professional fees	75.56	56.43
Advertisement and business promotion	127.84	95.76
Bank and other charges	6.35	6.87
Directors' sitting fees	0.42	0.52
Insurance charges	23.60	18.66
Debts and advances written off	9.42	-
Provision for doubtful accounts (net of write back)	44.60	19.04
Staff recruitment expenses	67.87	62.29
Service charges	128.73	99.01
Miscellaneous expenses	51.40	44.29
	<u>1,144.10</u>	<u>1,038.09</u>
23 Finance costs		
Interest on borrowings	24.75	-
Interest on lease liabilities	72.30	-
Others	14.85	0.07
	<u>111.90</u>	<u>0.07</u>

HEXAWARE TECHNOLOGIES LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

24 Earnings per share (EPS)

The components of basic and diluted EPS:

	For the quarter ended	
	March-2020 (Unaudited)	March-2019 (Audited)
Net profit after tax (Rupees Million)	1,749.63	1,384.77
Weighted average outstanding equity shares considered for basic EPS (Nos.)	298,384,321	297,650,774
Basic earnings per share (In Rupees)	5.86	4.65
Weighted average outstanding equity shares considered for basic EPS (Nos.)	298,384,321	297,650,774
Add : Effect of dilutive issue of stock options (Nos.)	3,630,213	4,559,178
Weighted average outstanding equity shares considered for diluted EPS (Nos.)	302,014,534	302,209,952
Diluted earnings per share (In Rupees)	5.79	4.58
Par value per share (In Rupees)	2.00	2.00

25 Related party disclosures

Names of related parties

Ultimate Holding Company and it's subsidiaries

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

The Baring Asia Private Equity Fund V, LP, Cayman Island

Baring Private Equity Asia V Mauritius Holding (4) Limited, Mauritius

Holding Company (control exists)

HT Global IT Solutions Holdings Limited, Mauritius

Associate

Experis Technology Solutions Pte Ltd., Singapore

Key Management Personnel (KMP)

Executive Director and CEO

R. Srikrishna

Non-executive directors

Atul K Nishar

Kosmas Kalliarekos

Jimmy Mahtani

Dileep Choksi (Retired on October 16, 2019)

Bharat Shah (Retired on October 16, 2019)

P R Chandrasekar

Ms. Meera Shankar (Retired on April 10, 2020)

Christian Oecking (Retired on June 25, 2019)

Basab Pradhan (Retired on June 8, 2019)

Milind Shripad Sarwate (w.e.f. April 25 2020)

Ms. Madhu Khatri (w.e.f. April 25 2020)

Transactions	For the quarter ended	
	March-2020 (Unaudited)	March-2019 (Audited)
Associate		
Software and consultancy income	38.69	38.09
Remuneration to KMP		
Short term employee benefits	14.52	23.75
Post employment benefits	0.69	0.67
Share based payment	13.43	13.06
Commission and other benefits to non-executive directors	4.02	10.77

Closing balances	As at	As at
	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Receivables from associate	56.67	57.67
Payable to / provision for KMP	47.81	49.42

HEXWARE TECHNOLOGIES LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

26 Financial Instruments

Rupees Million

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

	Amortised <u>Cost</u>	Fair value through profit and <u>loss</u>	Fair value through other comprehensive <u>income</u>	Derivative instrument in hedging <u>relationship</u>	Total carrying / <u>fair value</u>
March-2020 (Unaudited)					
Cash and cash equivalents	4,192.94	-	-	-	4,192.94
Other bank balances	149.20	-	-	-	149.20
Trade receivables	10,041.72	-	-	-	10,041.72
Unbilled revenue	4,247.34	-	-	-	4,247.34
Loans	436.61	-	-	-	436.61
Other financial assets	175.33	-	-	90.93	266.26
Investments in equity shares	-	-	4.58	-	4.58
	<u>19,243.14</u>	<u>-</u>	<u>4.58</u>	<u>90.93</u>	<u>19,338.65</u>
Borrowings	4,020.38	-	-	-	4,020.38
Deferred consideration	1,480.08	-	-	-	1,480.08
Trade payables	4,276.37	-	-	-	4,276.37
Lease liabilities	4,191.99	-	-	-	4,191.99
Other financial liabilities	2,739.38	-	-	619.28	3,358.66
	<u>16,708.20</u>	<u>-</u>	<u>-</u>	<u>619.28</u>	<u>17,327.48</u>
December 31, 2019 (Audited)					
Cash and cash equivalents	2,316.43	-	-	-	2,316.43
Other bank balances	149.11	-	-	-	149.11
Trade receivables	9,795.61	-	-	-	9,795.61
Unbilled revenue	3,535.47	-	-	-	3,535.47
Loans - security deposits	419.66	-	-	-	419.66
Other financial assets	166.42	-	-	278.39	444.81
Investments in equity shares	-	-	4.58	-	4.58
	<u>16,382.70</u>	<u>-</u>	<u>4.58</u>	<u>278.39</u>	<u>16,665.67</u>
Borrowings	1,430.73	-	-	-	1,430.73
Deferred consideration	3,490.46	-	-	-	3,490.46
Trade payables	3,949.15	-	-	-	3,949.15
Lease liabilities	-	-	-	-	-
Other financial liabilities	2,663.99	-	-	98.19	2,762.18
	<u>11,534.33</u>	<u>-</u>	<u>-</u>	<u>98.19</u>	<u>11,632.52</u>

Carrying amount of cash and cash equivalents, other bank balances, trade receivables, unbilled revenue, loans, other financial assets, borrowings, deferred consideration, trade payables, lease liabilities and other financial 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.

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26 Financial Instruments (Cont'd)

26.2 Fair value hierarchy

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability

The following table presents fair value hierarchy of financial assets and liabilities measured at fair value on a recurring basis:

	Rupees Million			
March-2020 (Unaudited)	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Investments in equity shares	-	-	4.58	4.58
Derivative financial assets	-	90.93	-	90.93
	-	90.93	4.58	95.51
Derivative financial liabilities	-	619.28	-	619.28
December 31, 2019 (Audited)	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Investments in equity shares	-	-	4.58	4.58
Derivative financial assets	-	278.39	-	278.39
	-	278.39	4.58	282.97
Derivative financial liabilities	-	98.19	-	98.19

Valuation Technique

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

26.3 Derivative financial instruments

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

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

Currency hedged (Sell contracts)	in Million	
	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
USD	212.17	212.02
Euro	6.60	6.60
GBP	13.48	13.60

The weighted average forward rate for the hedges outstanding as at March 31, 2020 is Rs. 72.93, Rs. 89.08 and Rs. 99.11 (As at December 31, 2019 Rs. 74.85, Rs. 89.02 and Rs. 99.14) for USD, Euro and GBP, respectively. The hedges mature over the eight quarters.

The Group has also entered into Interest rate swap arrangement for the floating rate loan of notional USD 15 Million (Nil as on December 31, 2019)

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

	Rupees Million	
	<u>For period ended March 31, 2020 (Unaudited)</u>	<u>For period ended March 31, 2019 (Audited)</u>
Balance at the beginning of the period	226.05	(14.86)
Less: Net gains transferred to statement of profit or loss on occurrence of forecasted hedge transaction	82.97	14.80
Add: Changes in the fair value of the effective portion of outstanding cash flow hedges	(709.36)	330.22
Less : Deferred tax	64.28	(73.03)
Balance at the end of the period	(336.06)	257.13

There were no material hedge ineffectiveness for the period ended March 31, 2020, March 31, 2019 and year ended December 31, 2019.

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27 Segment disclosures

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

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

Segment results for the quarter ended March 31, 2020 (Unaudited)						Rupees Million
	T & T	BFS	H & I	PS	M & C	Total
Revenue	1,526.42	5,679.82	3,100.39	2,423.65	2,687.27	15,417.55
Expenses	(1,253.69)	(5,066.41)	(2,538.10)	(1,984.72)	(2,238.65)	(13,081.57)
Segment profit	272.73	613.41	562.29	438.93	448.62	2,335.98
Less: Depreciation and amortisation						(517.71)
Add: Exchange rate differences (net)						434.17
Add: Other income						5.46
Less: Finance costs						(111.90)
Add: Share in net profit of associate (net of tax)						0.58
Profit before tax						2,146.58
Less: Tax expense						(396.95)
Profit after tax						1,749.63

Segment results for the quarter ended March 31, 2019 (Audited)						Rupees Million
	T & T	BFS	H & I	PS	M & C	Total
Revenue	1,201.91	5,161.81	2,314.09	1,792.13	2,170.25	12,640.19
Expenses	(963.73)	(4,587.24)	(1,931.42)	(1,483.17)	(1,787.99)	(10,753.55)
Segment profit	238.18	574.57	382.67	308.96	382.26	1,886.64
Less: Depreciation and amortisation						(148.27)
Add: Exchange rate differences (net)						(82.54)
Add: Other income						40.74
Less: Finance costs						(0.07)
Less: Share in net profit of associate (net of tax)						0.61
Profit before tax						1,697.11
Less: Tax expense						(312.34)
Profit after tax						1,384.77

28 Revenue disclosures

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

Revenue	Rupees Million	
	For the quarter ended	
	<u>March-2020</u>	<u>March-2019</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
Americas	11,432.54	9,588.27
Europe	2,747.42	1,662.20
APAC	1,237.59	1,389.73
Total	<u>15,417.55</u>	<u>12,640.20</u>

The disaggregated revenue with the customers by contract type:

Offshore	61.6%	63.4%
Onshore	38.4%	36.6%
Total revenue from operations	<u>100.0%</u>	<u>100.0%</u>

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29 Contingent liabilities

- a. Claims not acknowledged as debt amounts to Rs. 28.14 million (Rs. 28.14 million as on December 31, 2019), being a claim from landlord of a premise occupied by the Company in an earlier year. The Company is confident of successfully contesting the aforesaid matter and does not expect any outflow on this count.
- b. Claims for taxes on income where Company is in appeal
Income tax demands of Rs. 9.59 million (Rs. 9.59 million as on December 31, 2019) have been raised in respect of assessments completed in earlier year, arising from certain disallowances by the Income tax authorities. The Company has appealed against the orders and based on merit, expects favourable outcome. Accordingly, no provision against such demand is considered necessary.

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

- 30** 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.

31 COVID pandemic:

The Group has assessed the impact on the recoverability of the receivables (including unbilled) and other current and non-current assets including goodwill considering both internal and external information available till date. It has also assessed, the probability of occurrence of forecasted transactions in the hedging relations, credit risk of the counter party to the derivative contracts and banks. The Group, based on the analysis on assumption used, believes that the carrying value of these assets are recoverable. Considering the fact that the global situation is evolving day by day with new facts and numbers, the economic impact of pandemic could be different from the estimated till date by the management. The management is continuously monitoring the material changes.

32 Material events after Balance Sheet date

There is no significant event after reporting date which requires amendments or disclosure to these consolidated financial statements:

33 Approval of the financial statements

The condensed interim consolidated financial statements were approved for issue by the Board of Directors on April 29, 2020. Figures for quarter ended March 31, 2020 are 'unaudited' and figures for quarter ended March 31, 2019 and as at December 31, 2019 are 'audited'

As per our report of even date

For B S R & Co. LLP

Chartered Accountants

Firm registration number: 101248W/W-100022

For and on behalf of the Board of Directors

(CIN: L72900MH1992PLC069662)

Rajesh Mehra

Partner

Membership number: 103145

Mumbai

April 29, 2020

Atul K Nishar

(Director)

(DIN 00307229)

Mumbai

April 29, 2020

R. Srikrishna

(CEO & Executive Director)

(DIN-03160121)

New Jersey

April 29, 2020