

**Independent Auditors' Report**  
**To the Board of Directors of**  
**Hexaware Technologies Limited**

**Report on the Audit of the Condensed Interim Consolidated Financial Statements**

**Opinion**

We have audited the condensed interim consolidated financial statements of Hexaware Technologies Limited (hereinafter referred to as the 'Holding Company') and its subsidiaries (Holding Company and its subsidiaries together referred to as "the Group") and its associate, which comprise the condensed consolidated Balance Sheet as at 30 September 2019, and the condensed consolidated statement of Profit and Loss (including other comprehensive income) for the quarter and nine months then ended, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the nine months then ended, and notes to the condensed interim consolidated financial statements, including a summary of significant accounting policies (hereinafter referred to as "the condensed interim consolidated financial statements") and other explanatory information as required by Indian Accounting Standard (Ind AS) 34 "Interim Financial Reporting" and other accounting principles generally accepted in India.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid condensed interim consolidated financial statements give a true and fair view in conformity with Ind AS 34 and other accounting principles generally accepted in India, of the consolidated state of affairs of the Company as at 30 September 2019, of consolidated profit and other comprehensive income for the quarter and nine months then ended, consolidated changes in equity and its consolidated cash flows for the nine months ended on that date.

**Basis for Opinion**

We conducted our audit in accordance with the Standards on Auditing ("SAs") specified under Section 143(10) of the Companies Act, 2013 ("Act"). Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Condensed Interim Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India, and we have fulfilled our other ethical responsibilities in accordance with the provisions of the Act. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Independent Auditors' Report (*Continued*)**

### **Hexaware Technologies Limited**

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

The Holding Company's management and Board of Directors are responsible for the preparation and presentation of these condensed interim consolidated financial statements that give a true and fair view of the consolidated state of affairs, consolidated profit/loss and other comprehensive income, consolidated statement of changes in equity and consolidated cash flows of the Group including its associate in accordance with Ind AS 34 prescribed under Section 133 of the Act and other accounting principles generally accepted in India. The respective Management and Board of Directors of the companies included in the Group and of its associate are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the condensed interim consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the condensed interim consolidated financial statements by the Management and Directors of the Holding Company, as aforesaid.

In preparing the condensed interim consolidated financial statements, the respective management and Board of Directors of the companies included in the Group and of its associate, are responsible for assessing the ability of the Group and of its associate to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the condensed interim consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these condensed interim consolidated financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the condensed interim consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

## **Independent Auditors' Report (*Continued*)**

### **Hexaware Technologies Limited**

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the Holding Company's internal financial control with reference to the condensed interim consolidated financial statements.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and its associate to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the condensed interim consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and its associate to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the condensed interim consolidated financial statements, including the disclosures, and whether the condensed interim consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of such entities or business activities within the Group and its associate to express an opinion on the condensed interim consolidated financial statements, of which we are the independent auditors. We are responsible for the direction, supervision and performance of the audit of financial information of such entities. For the other entities included in the condensed interim consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion. Our responsibilities in this regard are further described in para 1 of the section titled "Other Matters" in this audit report.

We communicate with those charged with governance of the Holding Company and such other entities included in the condensed interim consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

## **Independent Auditors' Report (*Continued*)**

### **Hexaware Technologies Limited**

#### **Other Matters**

1. We did not audit the financial statements of 11 subsidiaries whose condensed interim financial statements reflect total assets of Rs. 4,375.76 million as at 30 September 2019, total revenues of Rs. 2,206.88 million for the quarter and Rs. 6,449.70 million for the nine months ended 30 September 2019 and net cash outflows amounting to Rs. 1,030.31 million for the nine months ended on that date, as considered in the condensed interim consolidated financial statements. These condensed interim financial statements have been audited by other auditors whose reports have been furnished to us by the Management, and our opinion on the condensed interim consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries is based solely on the audit reports of the other auditors.
2. The financial information of 6 subsidiaries, whose condensed interim financial information reflect total assets of Rs. 2,137.42 million as at 30 September 2019, total revenues of Rs. 1,538 million for the quarter and Rs. 1,844.92 million for the nine months ended and net cash outflows amounting to Rs. 256.82 million for the nine months ended on that date, as considered in the condensed interim consolidated financial statements, have not been audited either by us or by other auditors. The condensed interim consolidated financial statements also include the Group's share of net profit (including other comprehensive income) of Rs. 0.65 million for the quarter and Rs. 2.12 million for the nine months ended 30 September 2019, as considered in the condensed interim consolidated financial statements, in respect of one associate, whose condensed interim financial information have not been audited by us or by other auditors. These unaudited condensed interim financial information have been furnished to us by the Management and our opinion on the condensed interim consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and associate is based solely on such unaudited financial information. In our opinion and according to the information and explanations given to us by the Management, these condensed interim financial information are not material to the Group.

Our opinion on the condensed interim consolidated financial statements is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the condensed interim financial information certified by the Management.

For **BSR & Co. LLP**

*Chartered Accountants*

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

**Rajesh Mehra**

*Partner*

Membership No: 103145

Mumbai  
23 October 2019

Unique Document Identification Number: 19103145AAAADW4242

**HEXAWARE TECHNOLOGIES LIMITED**  
**CONDENSED INTERIM CONSOLIDATED BALANCE SHEET**

		As at	Rupees Million As at
	Note	September 30, 2019	December 31, 2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	4,618.67	3,827.85
Capital work-in-progress		2,067.39	2,244.43
Goodwill	6	11,842.72	1,809.08
Other intangible assets	7	2,642.88	104.59
Financial assets			
- Investments	8A	28.01	25.89
- Other financial assets	9A	530.91	385.99
Deferred tax assets (net)	10	1,225.63	1,784.14
Income tax asset (net)		378.63	374.25
Other non-current assets	11A	875.58	909.12
<b>Total non-current assets</b>		<b>24,210.42</b>	<b>11,465.34</b>
<b>Current assets</b>			
Financial assets			
- Investments	8B	-	101.28
- Trade receivables	12	8,341.46	8,031.00
- Cash and cash equivalents	13A	1,892.34	8,050.55
- Other Bank Balances	13B	155.29	154.38
- Unbilled revenue		4,022.38	2,729.85
- Other financial assets	9B	371.61	166.53
Current Tax Assets (net)		76.69	36.39
Other current assets	11B	743.88	599.35
<b>Total current assets</b>		<b>15,603.65</b>	<b>19,869.33</b>
<b>Total assets</b>		<b>39,814.07</b>	<b>31,334.67</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity Share capital	14	596.68	594.72
Other Equity		26,217.23	23,323.93
<b>Total equity</b>		<b>26,813.91</b>	<b>23,918.65</b>
<b>Non-current liabilities</b>			
Financial Liabilities			
- Borrowings (Secured)	28	1,419.92	-
- Other financial liabilities	15A	1,391.56	75.64
Provisions - Employee benefit obligations in respect of Gratuity		294.79	230.38
<b>Total non-current liabilities</b>		<b>3,106.27</b>	<b>306.02</b>
<b>Current liabilities</b>			
Financial Liabilities			
- Borrowings (Secured)	28	1.99	-
- Trade and other payables	16	3,592.28	3,299.90
- Other financial liabilities	15B	4,333.50	1,914.69
Other current liabilities	17	859.06	1,014.28
Provisions			
- Employee benefit obligations in respect of compensated absences and others		886.48	685.28
- Others	18	-	-
Current tax liabilities (net)		220.58	195.85
<b>Total current liabilities</b>		<b>9,893.89</b>	<b>7,110.00</b>
<b>Total liabilities</b>		<b>13,000.16</b>	<b>7,416.02</b>
<b>Total equity and liabilities</b>		<b>39,814.07</b>	<b>31,334.67</b>

The accompanying notes 1 to 30 form an integral part of the consolidated financial statements

As per our report of even date

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

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

**Rajesh Mehra**  
Partner  
Membership number: 103145  
Mumbai, dated October 23, 2019

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

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

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

Rupees Million

	Notes	For the quarter ended		For the nine months ended	
		September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
<b>INCOME</b>					
Revenue from operations		14,813.47	12,096.24	40,537.01	33,953.41
Exchange rate difference (net)		197.59	234.92	188.89	719.40
Other income	19	6.17	29.44	81.54	75.45
<b>Total income</b>		<b>15,017.23</b>	<b>12,360.60</b>	<b>40,807.44</b>	<b>34,748.26</b>
<b>EXPENSES</b>					
Software and development expenses	20	2,898.09	2,711.67	8,824.98	7,337.18
Employee benefits expense	21	8,197.03	6,340.29	21,830.63	18,236.03
Operation and other expenses	22	1,340.54	1,021.08	3,498.66	2,958.55
Interest on loan and other interest		33.87	0.07	43.84	0.18
Depreciation and amortisation expense	5, 7	324.27	159.12	678.02	492.32
<b>Total expenses</b>		<b>12,793.80</b>	<b>10,232.23</b>	<b>34,876.13</b>	<b>29,024.26</b>
<b>Profit before tax and share in profit of associate</b>		<b>2,223.43</b>	<b>2,128.37</b>	<b>5,931.31</b>	<b>5,724.00</b>
Exceptional item - Acquisition related costs (refer note 6(b))		0.00	-	169.55	-
Share in profit of associate (Net of tax)		0.65	(1.23)	2.12	1.53
<b>Profit before tax</b>		<b>2,224.08</b>	<b>2,127.14</b>	<b>5,763.88</b>	<b>5,725.53</b>
Tax expense					
- Current		370.72	516.82	1,172.91	1,333.87
- Deferred charge/(credit)		16.22	(111.04)	(144.47)	(208.52)
Total tax expense		386.94	405.78	1,028.44	1,125.35
<b>Profit for the period</b>		<b>1,837.14</b>	<b>1,721.36</b>	<b>4,735.44</b>	<b>4,600.18</b>
<b>Other comprehensive income (OCI):</b>					
<i>i) Items that will not be reclassified to profit or loss</i>					
- Remeasurement of defined benefit plan		(11.76)	(17.97)	21.12	50.69
- Income tax relating to items that will not be reclassified to profit or loss		3.35	2.99	0.12	(9.96)
<i>ii) Items that will be reclassified to profit or loss</i>					
- Net change in fair value of cash flow hedges		(190.56)	(545.16)	214.16	(1,288.79)
- Exchange differences in translating the financial statements of foreign operations		196.10	476.58	123.65	930.01
- Income tax relating to items that will be reclassified to profit or loss		36.10	105.45	(43.67)	253.36
<b>Total other comprehensive income</b>		<b>33.23</b>	<b>21.89</b>	<b>315.38</b>	<b>(64.69)</b>
<b>Total comprehensive income for the period</b>		<b>1,870.37</b>	<b>1,743.25</b>	<b>5,050.82</b>	<b>4,535.49</b>
<b>Earnings per share (EPS) (In Rupees)</b>					
Basic	23	6.16	5.80	15.89	15.50
Diluted		6.07	5.70	15.67	15.23

The accompanying notes 1 to 30 form an integral part of the consolidated financial statements

As per our report of even date

For B S R & Co. LLP

Chartered Accountants

Firm registration number: 101248W/W-100022

For and on behalf of the Board of Directors

Rajesh Mehra

Partner

Membership number: 103145

Mumbai, dated October 23, 2019

R. Srikrishna

(CEO & Executive Director)

(DIN-03160121)

Meera Shankar

(Director)

(DIN-06374957)

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

**A. Equity Share Capital**

	Rupees Million	
	September 30, 2019	September 30, 2018
Outstanding at the beginning of the period / year	594.72	593.61
Add: On issue of shares during the period / year	1.96	0.10
Outstanding at the end of the period / year (Refer note 14)	<b>596.68</b>	<b>593.71</b>

**B. Other Equity**

	Rupees Million										
	Share application money pending allotment	Securities premium	Capital reserve	Capital redemption reserve	SEZ Re-investment reserve	Share option outstanding account	General reserve	Retained earnings	Foreign currency translation reserve	Cashflow hedge reserve (CFHR)	Total
<b>Balances as at January 1, 2019</b>	0.42	3,635.69	2.88	11.39	476.45	991.75	2,144.05	14,574.38	1,501.78	(14.86)	23,323.93
Profit for the period	-	-	-	-	-	-	-	4,735.44	-	-	4,735.44
Other comprehensive income (net of tax)	-	-	-	-	-	-	-	21.24	123.67	170.49	315.40
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-	-	<b>4,756.68</b>	<b>123.67</b>	<b>170.49</b>	<b>5,050.84</b>
Dividend paid (including dividend tax)	-	-	-	-	-	-	-	(2,334.91)	-	-	(2,334.91)
Shares Issued on exercise of stock options	-	-	-	-	-	-	-	-	-	-	-
Tax benefit on share based compensation	-	-	-	-	-	-	-	30.86	-	-	30.86
Transfer to SEZ Re-investment reserve	-	-	-	-	303.43	-	-	(303.43)	-	-	-
Transfer from SEZ Re-investment reserve	-	-	-	-	(416.96)	-	-	416.96	-	-	-
Received / transferred on exercise of stock options	(0.42)	201.47	-	-	-	(201.47)	-	-	-	-	(0.42)
Compensation related to employee share based payments	-	-	-	-	-	146.93	-	-	-	-	146.93
<b>As at September 30, 2019</b>	<b>-</b>	<b>3,837.16</b>	<b>2.88</b>	<b>11.39</b>	<b>362.92</b>	<b>937.21</b>	<b>2,144.05</b>	<b>17,140.54</b>	<b>1,625.45</b>	<b>155.63</b>	<b>26,217.23</b>
<b>Balances as at January 1, 2018</b>	0.61	3,517.94	2.88	11.39	24.08	732.44	2,144.05	11,648.05	931.87	465.83	19,479.14
Profit for the period	-	-	-	-	-	-	-	4,600.18	-	-	4,600.18
Other comprehensive income (net of tax)	-	-	-	-	-	-	-	40.73	930.01	(1,035.43)	(64.69)
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-	-	<b>4,640.91</b>	<b>930.01</b>	<b>(1,035.43)</b>	<b>4,535.49</b>
Dividend paid (including dividend tax)	-	-	-	-	-	-	-	(1,609.82)	-	-	(1,609.82)
Buy-back of shares	-	-	-	-	-	-	-	-	-	-	-
Shares Issued on exercise of stock options	-	3.32	-	-	-	-	-	-	-	-	3.32
Tax benefit on share based compensation	-	-	-	-	-	-	-	39.78	-	-	39.78
Transfer to SEZ Re-investment reserve	-	-	-	-	254.16	-	-	(254.16)	-	-	-
Received / transferred on exercise of stock options	(0.60)	0.09	-	-	-	(0.09)	-	-	-	-	(0.60)
Compensation related to employee share based payments	-	-	-	-	-	283.01	-	-	-	-	283.01
<b>As at September 30, 2018</b>	<b>0.01</b>	<b>3,521.35</b>	<b>2.88</b>	<b>11.39</b>	<b>278.24</b>	<b>1,015.36</b>	<b>2,144.05</b>	<b>14,464.76</b>	<b>1,861.88</b>	<b>(569.60)</b>	<b>22,730.32</b>

**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 30 form an integral part of the consolidated financial statements

As per our report of even date

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

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

**Rajesh Mehra**  
Partner  
Membership number: 103145  
Mumbai, dated October 23, 2019

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

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

**HEXAWARE TECHNOLOGIES LIMITED**  
**CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT**

Rupees Million

For the nine months ended

	<u>September 30, 2019</u>	<u>September 30, 2018</u>
<b>Cash Flow from operating activities</b>		
Net Profit before tax	5,763.88	5,725.53
<b>Adjustments for:</b>		
Depreciation and amortization expense	678.02	492.32
Employee stock option compensation cost	146.93	283.01
Interest income	(68.76)	(26.20)
Provision for doubtful accounts (net of write back)	42.96	28.35
Debts and advances written off	24.38	15.83
Dividend from investments	(3.32)	(8.20)
Profit on sale of property, plant and equipment (PPE) (net)	(0.92)	(0.23)
Exchange rate difference (net) - unrealised	(1.59)	(3.78)
Interest expense	43.84	0.18
Other income	-	(25.55)
Share in profit of associate	(2.12)	(1.53)
<b>Operating profit before working capital changes</b>	<b>6,623.30</b>	<b>6,479.73</b>
<b>Adjustments for:</b>		
Trade receivables and other assets	(582.28)	(2,324.25)
Trade payables and other liabilities	(296.28)	100.98
<b>Cash generated from operations</b>	<b>5,744.73</b>	<b>4,256.46</b>
Direct taxes paid (net)	(1,156.06)	(1,096.11)
<b>Net cash from operating activities</b>	<b>4,588.68</b>	<b>3,160.35</b>
<b>Cash flow from investing activities</b>		
Purchase of PPE, intangibles including CWIP and capital advances	(963.26)	(431.92)
Proceeds from sale of property, plant and equipment	0.12	0.39
Purchase of investments	(635.04)	(3,130.95)
Proceeds from sale/ redemption of investments	736.32	3,090.55
Payment for acquisition of business, net of cash acquired (refer note 6(b))	(8,862.70)	-
Dividend from investments	3.32	8.20
Interest received	63.99	26.59
<b>Net cash used in investing activities</b>	<b>(9,657.25)</b>	<b>(437.14)</b>
<b>Cash flow from financing activities</b>		
Proceeds from issue of shares / share application money (net)	1.54	2.82
Proceeds from short term borrowing (net)	1.99	-
Proceeds from long term borrowing	1,259.27	-
Interest paid	(31.59)	(0.18)
Dividend paid (including corporate dividend tax)	(2,334.91)	(1,609.82)
<b>Net cash used in financing activities</b>	<b>(1,103.70)</b>	<b>(1,607.18)</b>
Net Increase in cash and cash equivalents	(6,172.27)	1,116.03
Cash and cash equivalents at the beginning of the period	8,050.55	5,147.41
Add: Unrealised loss / (gain) on foreign currency cash and cash equivalents	14.06	609.32
Cash and cash equivalents at the end of the period (Refer Note 13A)	<b>1,892.34</b>	<b>6,872.76</b>
<b>Note:</b>		
Non cash transaction:		
Contingent consideration payable towards acquisition	1,356.23	-
Liabilities towards deferred consideration	2,095.44	-

The accompanying notes 1 to 30 form an integral part of the consolidated financial statements

As per our report of even date

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

Chartered Accountants

Firm registration number: 101248W/W-100022

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

**Rajesh Mehra**

Partner

Membership number: 103145

Mumbai, dated October 23, 2019

**R. Srikrishna**

(CEO & Executive Director)

(DIN-03160121)

**Meera Shankar**

(Director)

(DIN-06374957)

## **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 rapid application prototyping, development and deployment; build, migrate and run cloud solutions; automation-based application support; enterprise solutions for digitizing the back-office; customer experience transformation; business intelligence and analytics; digital assurance (testing); infrastructure management services and business process services

## **2 Significant accounting policies and statement of compliance**

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, 2018 except in relation to revenue recognition as discussed in note 3.1 below. These condensed interim consolidated financial statements do not include all of the information required in annual financial statements and should be read in conjunction with the Group's financial statements for the year ended December 31, 2018.

### **3.1 Revenue recognition**

The company earns revenues from information technology consulting, software development and business process services.

Effective January 1, 2019, the Group has applied Ind AS 115 Revenue from contracts with customer which establishes a comprehensive framework for determining whether, how much and when revenue is to be recognised. Ind AS 115 replaces Ind AS 18 Revenue and Ind AS 11 Construction Contracts. The Group has adopted Ind AS 115 using the cumulative catch-up transition method. The effect of initially applying this standard is recognised at the date of initial application (i.e. January 1, 2019). The standard is applied retrospectively only to contracts that are not completed as at the date of initial application. The comparatives have not been retrospectively adjusted and it continues to be reported under Ind AS 18 and Ind AS 11. Refer note 2.7 – Significant accounting policies – Revenue recognition in the Annual report of the Company for the year ended December 31, 2018, for revenue recognition policy as per Ind AS 18 and Ind AS 11. The impact of adoption of the standard on the financial statements of the Group is not material.

Revenue is recognised upon transfer of control of promised products or services to customers in an amount that reflects the consideration which the Group expects to receive in exchange for those products or services.

In case of contract on time and material basis, transaction-based or volume-based contracts, revenue is recognised when the related services are performed.

In case of fixed price contracts, revenue is recognized using percentage of completion method. The Group uses the efforts expended to date as a proportion to the total efforts to be expended as a basis to measure the degree of completion. The cumulative impact of any revision in estimates of the percentage of work completed is reflected in the year in which the change becomes known. Provisions for estimated losses on such engagements are made during the year in which a loss becomes probable and can be reasonably estimated. Amount received or billed in advance of services performed are recorded as unearned revenue. Unbilled services represents revenue recognized based on services performed in advance of billing in accordance with contract terms.

Revenues related to fixed-price maintenance, testing and business process services are recognized based on our right to invoice for services performed for contracts in which the invoicing is representative of the value being delivered. If our invoicing is not consistent with value delivered, revenues are recognized as the service is performed using the percentage of completion method.

Revenue is measured based on the transaction price, which is the consideration, adjusted for volume discounts, service level credits, performance bonuses, price concessions and incentives, if any, as specified in the contract with the customer. Revenue also excludes taxes collected from customers.

Contracts are subject to modification to account for changes in contract specification and requirements. The Group reviews modification to contract in conjunction with the original contract, basis which the transaction price could be allocated to a new performance obligation, or transaction price of an existing obligation could undergo a change. In the event transaction price is revised for existing obligation, a cumulative adjustment is accounted for.

**3.2 Recent accounting pronouncements**

Certain new standards, amendments to standards are not yet effective for annual periods beginning after January 1, 2019, and have not been applied in preparing these condensed interim consolidated financial statements. New standards, amendments to standards and interpretations that could have potential impact on the consolidated financial statements of the Group are:

**a) Ind AS 116 – Leases**

Ind AS 116 replaces the existing leases Standard, Ind AS 17 Leases, and related interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The Standard also contains enhanced disclosure requirements for lessees. The effective date for adoption of Ind AS 116 is annual periods beginning January 1, 2020.

The Group is currently assessing the impact of adopting Ind AS 116 on the Group's consolidated financial statements.

**b) 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 amendments are effective from the annual periods beginning January 1, 2020. The Group is currently assessing the impact of adopting the amendments on its financial statements.

**4 Entities to consolidation**

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

	<b>Name of the Entity</b>	<b>Country of Incorporation</b>
	<b>Wholly owned subsidiaries</b>	
1	Hexaware Technologies Inc.	USA
2	Hexaware Technologies, Mexico S. De. R.L. De. C.V.	Mexico
3	Hexaware Technologies UK Ltd	UK
4	Hexaware Technologies Asia Pacific Pte Limited	Singapore
5	Hexaware Technologies GmbH	Germany
6	Hexaware Technologies Canada Limited	Canada
7	Hexaware Technologies DO Brazil Ltd , Brazil (Subsidiary of Hexaware Technologies UK Ltd) (Closed on July 24, 2018)	Brazil
8	Guangzhou Hexaware Information Technologies Company Limited	China
9	Hexaware Technologies LLC	Russia
10	Hexaware Technologies Saudi LLC	Saudi Arabia
11	Hexaware Technologies Romania SRL (Subsidiary of Hexaware Technologies UK Ltd.)	Romania
12	Hexaware Technologies Hong Kong Limited	Hong Kong
13	Hexaware Technologies Nordic AB	Sweden
14	Digitech Technologies Inc. (Subsidiary of Hexaware Technologies Inc., closed on September 27, 2018)	USA
15	Hexaware Information Technologies (Shanghai) Company Limited	China
16	Mobiquity Inc ( Acquired on 13th June 2019, Subsidiary of Hexaware Technologies Inc.)	USA
17	Mobiquity Velocity Solutions, Inc (Subsidiary of Mobiquity Inc.)	USA
18	Mobiquity Velocity Cooperatief UA (Subsidiary of Mobiquity Inc.)	Netherlands
19	Mobiquity BV (Subsidiary of Mobiquity Velocity Cooperatief UA)	Netherlands
20	Morgan Clark BV (Subsidiary of Mobiquity Velocity Cooperatief UA)	Netherlands
21	Mobiquity Softech Private Limited (Acquired on 13th June 2019, Subsidiary of Hexaware Technologies Limited )	India
22	Montana Merger Sub Inc. (Formed on June 7, 2019 as subsidiary of Hexaware Technologies Inc and merged with Mobiquity Inc, on June 13, 2019)	USA
	<b>Associate</b>	
1	Experis Technology Solutions Pte. Ltd. (20% ownership interest held by Hexaware Technologies Asia Pacific Pte Limited)	Singapore

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**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>
<b><u>COST</u></b>								
At January 1, 2019	0.15	3,030.10	2,423.76	785.97	18.87	1,293.50	152.00	7,704.35
Additions	-	153.94	486.45	257.10	2.53	177.02	32.97	1,110.01
Additions on Acquisition (Refer note 6(b))	-	-	88.05	21.58	-	18.69	16.19	144.51
Disposals / adjustments	-	-	(45.95)	-	(0.93)	(2.16)	(0.06)	(49.10)
Translation exchange difference	-	-	3.95	0.14	0.03	0.21	1.78	6.11
At September 30, 2019	<u>0.15</u>	<u>3,184.04</u>	<u>2,956.26</u>	<u>1,064.79</u>	<u>20.50</u>	<u>1,487.26</u>	<u>202.88</u>	<u>8,915.88</u>
<b><u>ACCUMULATED DEPRECIATION</u></b>								
At January 1, 2019	-	363.57	1,885.10	554.53	14.00	945.05	114.25	3,876.50
Charge for the period	-	41.28	236.49	58.90	2.04	102.51	21.46	462.68
Disposals / adjustments	-	-	(45.01)	-	(0.93)	(1.89)	-	(47.83)
Translation exchange difference	-	-	4.10	0.50	0.03	(0.17)	1.40	5.86
At September 30, 2019	<u>-</u>	<u>404.85</u>	<u>2,080.68</u>	<u>613.93</u>	<u>15.14</u>	<u>1,045.50</u>	<u>137.11</u>	<u>4,297.21</u>
<b><u>NET CARRYING AMOUNT</u></b>								
At September 30, 2019	<u>0.15</u>	<u>2,779.19</u>	<u>875.58</u>	<u>450.86</u>	<u>5.36</u>	<u>441.76</u>	<u>65.77</u>	<u>4,618.67</u>
<hr/>								
<b><u>COST</u></b>								
At January 1, 2018	0.15	2,728.57	2,127.42	742.67	19.63	1,239.95	136.00	6,994.39
Additions	-	301.53	313.39	62.59	-	67.19	9.61	754.31
Disposals	-	-	(36.35)	(29.08)	(0.92)	(17.43)	(5.54)	(89.32)
Translation exchange difference	-	-	19.30	9.79	0.16	3.79	11.93	44.97
At December 31, 2018	<u>0.15</u>	<u>3,030.10</u>	<u>2,423.76</u>	<u>785.97</u>	<u>18.87</u>	<u>1,293.50</u>	<u>152.00</u>	<u>7,704.35</u>
<b><u>ACCUMULATED DEPRECIATION</u></b>								
At January 1, 2018	-	310.85	1,642.28	520.53	12.09	837.62	90.70	3,414.07
Charge for the year	-	52.72	260.98	55.36	2.67	122.29	21.19	515.21
Disposals	-	-	(33.68)	(27.20)	(0.92)	(17.28)	(5.54)	(84.62)
Translation exchange difference	-	-	15.52	5.84	0.16	2.42	7.90	31.84
At December 31, 2018	<u>-</u>	<u>363.57</u>	<u>1,885.10</u>	<u>554.53</u>	<u>14.00</u>	<u>945.05</u>	<u>114.25</u>	<u>3,876.50</u>
<b><u>NET CARRYING AMOUNT</u></b>								
At December 31, 2018	<u>0.15</u>	<u>2,666.53</u>	<u>538.66</u>	<u>231.44</u>	<u>4.87</u>	<u>348.45</u>	<u>37.75</u>	<u>3,827.85</u>

Note:

i) Plant and machinery includes computer systems

ii) Buildings includes office premises taken on finance lease of gross value amounting to Rs. 345.47 million and Rs. 345.47 million as at September 30, 2019 and December 31, 2018, respectively and net carrying value amounting to Rs. 252.87 million and Rs. 257.17 million as at September 30, 2019 and December 31, 2018, respectively.

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

**6 Goodwill**

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

**Rupees Million**

<b>As at January 1, 2018</b>	1,656.29
Translation exchange rate difference	152.79
<b>As at December 31, 2018</b>	<b>1,809.08</b>
On acquisition during the period	9,743.28
Translation exchange rate difference	290.36
<b>As at September 30, 2019</b>	<b>11,842.72</b>

**b Business combination**

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

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

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

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

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

Component	Rupees Million
Property plant and equipment	143.54
Cash and cash equivalents	375.14
Trade and other receivables	989.44
Other assets	173.97
Other liabilities	(649.03)
Intangible assets- Customer relationships	2,361.23
Intangible assets- Brand	154.72
Deferred tax liability	(679.31)
<b>Fair value of net assets as on the date of acquisition</b>	<b>2,869.70</b>
Purchase Consideration	12,612.98
<b>Goodwill</b>	<b>9,743.28</b>

Details of the purchase consideration is as below

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

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

The Goodwill represents assembled workforce and expected synergies from the combined operations.

The intangible assets shall be amortized over 2-7 years as per managements estimate of its useful life, based on the life over which economic benefits are expected to be realized.

Adjustments to provisional amounts recognized during the quarter ended 30 September 2019 are not material. Corresponding changes to the comparatives have not been made, as the impact of the adjustments to the provisional amounts is not material to the Company's statement of financial position or statement of income.

Had the acquisition occurred on January 1, 2019, management estimates that the group's consolidated revenue would have been INR 43,224.52 million and profits would have been INR 4,831.80 million for the nine months ended September 30, 2019. The proforma amounts are not necessarily indicative of results that would have been occurred if acquisition occurred on dates indicated or that may result in the future.

The transaction costs of Rs. 169.55 million has been included in the statement of profit and loss account and shown as an exceptional item.

Considering the aforesaid business combination, the financials for the period ended and as at September 30, 2019 are not comparable with that of the previous periods.

**HEXAWARE TECHNOLOGIES LIMITED****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****7 Other intangible assets**

Rupees Million

Other intangible assets consist of the following:

	<u>Brand</u>	<u>Software licenses</u>	<u>Customer Contracts/Relations</u>	<u>Total</u>
<b><u>COST</u></b>				
At January 1, 2019	-	678.91	-	678.91
Additions	-	48.00	118.61	166.61
Additions on Acquisition (Refer note 6(b))	154.72	-	2,361.23	2,515.95
Adjustments	-	16.87	-	16.87
Translation exchange difference	4.16	1.35	76.69	82.20
At September 30, 2019	<u>158.88</u>	<u>745.13</u>	<u>2556.53</u>	<u>3460.54</u>
<b><u>ACCUMULATED AMORTISATION</u></b>				
At January 1, 2019	-	574.32	-	574.32
Amortisation for the period	29.76	51.14	134.44	215.34
Adjustments	-	16.81	2.01	14.80
Translation exchange difference	0.30	1.27	11.63	13.20
At September 30, 2019	<u>30.06</u>	<u>643.54</u>	<u>144.06</u>	<u>817.66</u>
<b><u>NET CARRYING AMOUNT</u></b>				
At September 30, 2019	<u>128.82</u>	<u>101.59</u>	<u>2,412.47</u>	<u>2642.88</u>
<b><u>COST</u></b>				
At January 1, 2018	-	594.75	141.87	736.62
Additions	-	76.48	-	76.48
Disposals	-	-	(130.19)	(130.19)
Translation exchange difference	-	7.68	(11.68)	(4.00)
At December 31, 2018	<u>-</u>	<u>678.91</u>	<u>-</u>	<u>678.91</u>
<b><u>ACCUMULATED AMORTISATION</u></b>				
At January 1, 2018	-	494.07	65.49	559.56
Amortisation for the year	-	74.21	61.14	135.35
Disposals	-	-	(116.02)	(116.02)
Translation exchange difference	-	6.04	(10.61)	(4.57)
At December 31, 2018	<u>-</u>	<u>574.32</u>	<u>-</u>	<u>574.32</u>
<b><u>NET CARRYING AMOUNT</u></b>				
At December 31, 2018	<u>-</u>	<u>104.59</u>	<u>-</u>	<u>104.59</u>

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

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

Rupees Million

<b>8 Investments</b>	<b>As at</b>	<b>As at</b>
<b>A Non current investments in equity shares (unquoted)</b>	<b>September 30, 2019</b>	<b>December 31, 2018</b>
<u>Investment in Associate</u>		
250,000 shares of USD 1/- each in Experis Technology Solutions Pte. Ltd.	23.43	21.31
<u>Other Investments</u>		
<u>At fair value through other comprehensive Income</u>		
240,958 equity shares of Rs. 10/- each in Beta Wind Farm Pvt. Ltd.	4.58	4.58
	<u>28.01</u>	<u>25.89</u>
<b>B Current investments in mutual funds (unquoted)</b>		
<u>At fair value through profit or loss account</u>		
Mutual fund units	-	101.28
	<u>-</u>	<u>101.28</u>
<b>9 Other financial assets (unsecured) (considered good)</b>		
<b>A Non-current</b>	<b>As at</b>	<b>As at</b>
	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Interest accrued on bank deposits	0.46	0.93
Foreign currency derivative assets	132.51	101.43
Restricted bank balances (a)	68.11	34.43
Security deposits for premises and others	329.83	249.20
	<u>530.91</u>	<u>385.99</u>
(a) Restriction on account of bank deposits held as margin money.		
<b>B Current</b>	<b>As at</b>	<b>As at</b>
	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Interest accrued on bank deposits	5.90	0.66
Receivable from Service provider	12.08	12.80
Foreign currency derivative assets	211.85	94.16
Security deposits for premises and others (b)	8.70	6.53
Employee advances	133.08	52.38
	<u>371.61</u>	<u>166.53</u>

(b) Exclude deposits aggregating Rs. 34.56 million and Rs. 34.56 million provided as doubtful of recovery basis the expected credit loss model as of September 30, 2019 and December 31, 2018 respectively.

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

10	Components of deferred taxes as at:	<b>Rupees Million</b>
	<b><u>September 30, 2019</u></b>	<b><u>December 31, 2018</u></b>
	<b>Deferred tax assets</b>	
	Allowance for doubtful debts and advances	35.58
	Employee benefit obligations	332.61
	Minimum alternate tax credit carry forward	1,482.16
	Share based payment	124.06
	Unrealised loss on cash flow hedges	0.89
	Others	8.23
	<b>Total</b>	<b>1,983.53</b>
	<b>Deferred tax liabilities</b>	
	Unrealised gain on cash flow hedges	-
	Depreciation and Amortization	199.39
	<b>Total</b>	<b>199.39</b>
	<b>Net deferred tax asset</b>	<b>1,784.14</b>

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

Rupees Million

**11 Other assets (unsecured)**

**A Non-current**

	<u>As at</u> <u>September 30, 2019</u>	<u>As at</u> <u>December 31, 2018</u>
Capital Advances	15.40	47.05
Prepaid Expenses relating to leasehold land *	529.32	530.30
Other Prepaid Expenses	208.75	219.56
Indirect taxes recoverable	122.11	112.21
	<u>875.58</u>	<u>909.12</u>

\* includes unamortized lease premium in respect of one parcel of leasehold land allotted to the Company at Nagpur for which the final lease agreement is being executed amounting to Rs. 79.18 million and Rs. 79.87 million as at September 30, 2019 and December 31, 2018, respectively

**B Current**

	<u>As at</u> <u>September 30, 2019</u>	<u>As at</u> <u>December 31, 2018</u>
Prepaid Expenses	574.51	496.28
Indirect taxes recoverable	139.19	79.99
Others	30.18	23.08
	<u>743.88</u>	<u>599.35</u>

**12 Trade Receivables (unsecured)**

	<u>As at</u> <u>September 30, 2019</u>	<u>As at</u> <u>December 31, 2018</u>
Considered good	8,341.46	8,031.00
Considered doubtful	180.09	129.22
Less: Allowance for doubtful receivables	(180.09)	(129.22)
	<u>8,341.46</u>	<u>8,031.00</u>

**13 Cash and bank balances**

**A Cash and cash equivalents**

	<u>As at</u> <u>September 30, 2019</u>	<u>As at</u> <u>December 31, 2018</u>
Remittance in transit	53.36	3.21
Cash in hand	0.02	-
In current accounts with banks	1,762.70	7,962.06
Bank deposit accounts with less than 3 months maturity	76.26	85.28
Unclaimed dividend accounts	155.29	154.38
Margin money with banks	68.11	34.43
	<u>2,115.74</u>	<u>8,239.36</u>
Less: Restricted bank balances	(223.40)	(188.81)
	<u>1,892.34</u>	<u>8,050.55</u>

**B Other bank balances**

Restricted bank balances in respect of unclaimed dividend	155.29	154.38
	<u>155.29</u>	<u>154.38</u>

**HEXAWARE TECHNOLOGIES LIMITED****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**Rupees Million  
(except per share data)**14 Equity Share Capital**14.1 Authorised capital

525,000,000 Equity shares of Rs. 2 each

1,100,000 Series "A" Preference Shares of Rs.1,421 each

As at	As at
September 30, 2019	December 31, 2018

1,050.00

1,050.00

1,563.10

1,563.10

14.2 Issued, subscribed and paid-up capital

Equity shares of Rs. 2 each

September 30, 2019	December 31, 2018
--------------------	-------------------

596.68

594.72

14.3 Reconciliation of number of shares

Shares outstanding at the beginning of the year

Shares issued during the period / year

Shares outstanding at the end of the period / year

September 30, 2019	December 31, 2018
--------------------	-------------------

297,360,989

296,803,757

976,692

557,232

298,337,681

297,360,989

14.4 Rights, preferences and restrictions attached to equity shares

The Company has one class of equity shares having a par value of Rs. 2 each. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing annual general meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all liabilities, in proportion to their shareholding.

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

Name of shareholder

HT Global IT Solutions Holdings Ltd. (Holding Company)

No. of shares held

% of holding

HDFC Trustee Company Ltd.

No. of shares held

% of holding

September 30, 2019	December 31, 2018
--------------------	-------------------

186,318,590

186,318,590

62.45%

62.66%

19,864,531

19,274,031

6.66%

6.48%

14.6 Shares reserved for issue under options

The Company has granted employee stock options under ESOP 2002, 2007 and 2008 schemes and restricted stock units (RSU's) under the ESOP 2008 and 2015 scheme. Each option/RSU entitles the holder to one equity share of Rs. 2 each. 7,688,303 options / RSU's were outstanding as on September 30, 2019 (8,687,324 as on December 31, 2018).

14.7 The dividend per share recognised as distribution to equity shareholders during the period ended September 30, 2019 was Rs. 6.50 per share (period ended September 30, 2018 Rs. 4.50 per share and year ended December 31, 2018 Rs. 7.00 per share)

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

Rupees Million

**15 Other financial liabilities**

**A Non-current**

	<u>As at</u> <u>September 30, 2019</u>	<u>As at</u> <u>December 31, 2018</u>
Capital creditors	1.18	-
Foreign currency derivative liabilities	22.02	72.95
Deferred contingent consideration (Refer note 6(b))	1,356.23	-
Others	12.13	2.69
	<u>1,391.56</u>	<u>75.64</u>

**B Current**

	<u>As at</u> <u>September 30, 2019</u>	<u>As at</u> <u>December 31, 2018</u>
Unclaimed dividend	155.29	154.38
Capital creditors	244.97	74.93
Deferred consideration (Refer note 6(b))	2,095.44	-
Employee liabilities	1,748.91	1,550.17
Foreign currency derivative liabilities	88.86	135.18
Others	0.03	0.03
	<u>4,333.50</u>	<u>1,914.69</u>

\*There is no amount due and outstanding to be credited to Investor Education and Protection Fund.

**16 Trade and other payables**

	<u>As at</u> <u>September 30, 2019</u>	<u>As at</u> <u>December 31, 2018</u>
Trade payables	2,111.67	1,871.12
Accrued expenses	1,480.61	1,428.78
	<u>3,592.28</u>	<u>3,299.90</u>

**17 Other liabilities**

**Current**

	<u>As at</u> <u>September 30, 2019</u>	<u>As at</u> <u>December 31, 2018</u>
Advance from customers	-	190.12
Unearned revenues	300.91	314.12
Statutory liabilities	558.15	510.04
	<u>859.06</u>	<u>1,014.28</u>

**18 Provisions - Others**

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Provision at the beginning of the period / year	-	7.67
Paid during the period / year	-	(6.14)
Adjusted during the period / year	-	(1.53)
Provision at the end of the period / year	<u>-</u>	<u>-</u>

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

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19 Other income	Rupees Million			
	For the quarter ended		For the nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Dividend	1.07	3.18	3.32	8.20
Interest income	3.52	22.15	68.76	26.20
Profit on sale of property, plant and equipment (net)	(0.43)	0.13	0.92	0.23
Liability no longer required written back *	-	-	0.28	27.39
Miscellaneous income	2.01	3.98	8.26	13.43
	<u>6.17</u>	<u>29.44</u>	<u>81.54</u>	<u>75.45</u>
20 Software and development expenses	Rupees Million			
	For the quarter ended		For the nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Consultant travel and related expenses	519.90	432.58	1,552.82	1,377.20
Software expenses *	2,378.19	2,279.09	7,272.16	5,959.98
	<u>2,898.09</u>	<u>2,711.67</u>	<u>8,824.98</u>	<u>7,337.18</u>
* includes sub- contracting charges	2,214.58	2,160.61	6,640.62	5,763.37
21 Employee benefits expense	Rupees Million			
	For the quarter ended		For the nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Salary and allowances	7,157.35	5,468.79	19,025.60	15,713.27
Contribution to provident, other funds and benefits	752.80	641.36	2,150.73	1,870.10
Staff welfare expenses	224.00	136.45	507.37	369.65
Employee stock option compensation cost	62.88	93.69	146.93	283.01
	<u>8,197.03</u>	<u>6,340.29</u>	<u>21,830.63</u>	<u>18,236.03</u>
22 Operation and Other Expenses	Rupees Million			
	For the quarter ended		For the nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Rent	178.10	105.77	439.88	305.27
Rates and taxes	10.88	10.35	28.19	45.43
Travelling and conveyance	304.87	209.98	792.40	642.86
Electricity charges	84.52	64.00	228.42	188.50
Communication expenses	93.98	65.89	243.81	185.79
Repairs and maintenance	141.06	129.38	404.99	371.20
Printing and stationery	14.00	9.66	43.51	29.29
Auditors remuneration	9.44	13.01	27.66	27.04
Legal and professional fees	71.97	58.65	184.89	179.45
Advertisement and business promotion	103.74	75.98	280.04	252.10
Bank and other charges	5.51	7.99	20.46	16.91
Directors' sitting fees	0.36	0.45	1.48	1.64
Insurance charges	12.15	18.35	48.00	45.12
Debts and advances written off	24.38	10.35	24.38	15.83
Provision for doubtful accounts (net of write back)	16.90	27.85	42.96	28.35
Staff recruitment expenses	57.84	35.76	174.70	132.14
Service charges	130.34	99.80	341.30	299.37
Miscellaneous expenses	80.50	77.86	171.59	192.26
	<u>1,340.54</u>	<u>1,021.08</u>	<u>3,498.66</u>	<u>2,958.55</u>

**HEXAWARE TECHNOLOGIES LIMITED**  
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**23 Earnings per share (EPS)**

The components of basic and diluted EPS:

	For the quarter ended		For the nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Net profit after tax ( Rupees Million )	1,837.14	1,721.36	4,735.44	4,600.18
Weighted average outstanding equity shares considered for basic EPS (Nos.)	298,199,982	296,852,488	297,929,332	296,840,546
Basic earnings per share (In Rupees)	6.16	5.80	15.89	15.50
Weighted average outstanding equity shares considered for basic EPS (Nos.)	298,199,982	296,852,488	297,929,332	296,840,546
Add : Effect of dilutive issue of stock options (Nos.)	4,389,461	5,183,651	4,326,264	5,135,293
Weighted average outstanding equity shares considered for diluted EPS (Nos.)	302,589,443	302,036,138	302,255,596	301,975,839
Diluted earnings per share (In Rupees)	6.07	5.70	15.67	15.23
Par value per share (In Rupees)	2.00	2.00	2.00	2.00

**24 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 Mehtani

Dileep Choksi

Bharat Shah

P R Chandrasekar

Meera Shankar

Christian Oecking

Basab Pradhan

Rupees Million

Transactions	For the quarter ended		For the nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
<b>Associate</b>				
Software and consultancy income	44.74	27.90	120.18	92.99
<b>Remuneration to KMP and directors</b>				
Short term employee benefits	17.40	25.34	63.70	70.99
Post employment benefits	0.59	-	1.50	-
Share based payment	12.00	14.06	38.27	38.55
Commission and other benefits to non-executive directors	7.39	11.86	27.96	32.78

Closing balances	As at	As at
	September 30, 2019	December 31, 2018
Receivables from associate	34.35	49.83
Payable to / provision for KMP	72.64	74.31

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**25 Financial Instruments**

**Rupees Million**

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

	Amortised Cost	Fair value through profit and loss	Fair value through other comprehensive income	Derivative instrument in hedging relationship	Total carrying / fair value
<b>September 30, 2019</b>					
Cash and cash equivalents	1,892.34	-	-	-	1,892.34
Other bank balances	155.29	-	-	-	155.29
Trade receivables	8,341.46	-	-	-	8,341.46
Unbilled revenue	4,022.38	-	-	-	4,022.38
Other financial assets	558.16	-	-	344.36	902.52
Investments in equity shares	-	-	4.58	-	4.58
	<b>14,969.63</b>	<b>-</b>	<b>4.58</b>	<b>344.36</b>	<b>15,318.57</b>
Borrowings	1,421.91	-	-	-	1,421.91
Deferred consideration	3,451.67	-	-	-	3,451.67
Trade payables	3,592.28	-	-	-	3,592.28
Other financial liabilities	2,162.51	-	-	110.88	2,273.39
	<b>10,628.37</b>	<b>-</b>	<b>-</b>	<b>110.88</b>	<b>10,739.25</b>
<b>December 31, 2018</b>					
Cash and cash equivalents	8,050.55	-	-	-	8,050.55
Other bank balances	154.38	-	-	-	154.38
Investments in mutual fund units	-	101.28	-	-	101.28
Trade receivables	8,031.00	-	-	-	8,031.00
Unbilled revenue	2,729.85	-	-	-	2,729.85
Other financial assets	356.93	-	-	195.59	552.52
Investments in equity shares	-	-	4.58	-	4.58
	<b>19,322.71</b>	<b>101.28</b>	<b>4.58</b>	<b>195.59</b>	<b>19,624.16</b>
Trade payables	3,299.90	-	-	-	3,299.90
Other financial liabilities	1,782.20	-	-	208.13	1,990.33
	<b>5,082.10</b>	<b>-</b>	<b>-</b>	<b>208.13</b>	<b>5,290.23</b>

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

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

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

**25.2 Fair value hierarchy**

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

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

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

Level 3 inputs are unobservable inputs for the asset or liability

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

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<b>Rupees Million</b> <u>Total</u>
<b>September 30, 2019</b>				
Mutual fund units	-	-	-	-
Investments in equity shares	-	-	4.58	4.58
Derivative financial assets	-	344.36	-	344.36
	<u>-</u>	<u>344.36</u>	<u>4.58</u>	<u>348.94</u>
Derivative financial liabilities	-	110.88	-	110.88
<b>December 31, 2018</b>				
Mutual fund units	101.28	-	-	101.28
Investments in equity shares	-	-	4.58	4.58
Derivative financial assets	-	195.59	-	195.59
	<u>101.28</u>	<u>195.59</u>	<u>4.58</u>	<u>301.45</u>
Derivative financial liabilities	-	208.13	-	208.13

**Valuation Technique**

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

**25.3 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:

<b>Currency hedged (Sell contracts)</b>	<b>in Million</b>	
	<b>September 30 2019</b>	<b>December 31 2018</b>
USD	197.40	162.12
Euro	6.00	5.84
GBP	13.08	11.32

The weighted average forward rate for the hedges outstanding as at September 30, 2019 is Rs. 74.15, Rs. 89.72 and Rs. 98.73 (As at December 31, 2018 Rs. 71.83, Rs. 88.22 and Rs. 98.70) for USD, Euro and GBP, respectively. The hedges mature over the eight quarters.

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

	<b>Rupees Million</b>	
	<b>For period ended September 30, 2019</b>	<b>For period ended September 30, 2018</b>
Balance at the beginning of the period	(14.86)	465.83
Less: Net gains transferred to statement of profit or loss on occurrence of forecasted hedge transaction	(123.03)	(187.11)
Add: Changes in the fair value of the effective portion of outstanding cash flow hedges	337.19	(1,101.68)
Less : Deferred tax on CFHR	(43.67)	253.36
Balance at the end of the period	<u>155.63</u>	<u>(569.60)</u>

There were no material hedge ineffectiveness for the period ended September 30, 2019, September 30, 2018 and year ended December 31, 2018.

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**26 Segment disclosures**

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

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

<b>Segment results for the quarter ended September 30, 2019</b>						<b>Rupees Million</b>
	<b>T &amp; T</b>	<b>BFS</b>	<b>H &amp; I</b>	<b>HTPS</b>	<b>M &amp; C</b>	<b>Total</b>
Revenue	1,501.41	5,719.00	2,857.46	2,118.99	2,616.61	14,813.47
Expenses	(1,194.69)	(5,061.15)	(2,268.22)	(1,752.28)	(2,159.32)	(12,435.66)
Segment profit	<u>306.72</u>	<u>657.85</u>	<u>589.24</u>	<u>366.71</u>	<u>457.29</u>	<u>2,377.81</u>
Less: Depreciation and amortisation						(324.27)
Add: Exchange rate differences (net)						197.59
Add: Other income						6.17
Less: Interest expense						(33.87)
Less: Exceptional item - Acquisition related costs						-
Add: Share in net profit of associate (net of tax)						0.65
<b>Profit before tax</b>						<b><u>2,224.08</u></b>
Less: Tax expense						<u>(386.94)</u>
<b>Profit after tax</b>						<b><u>1,837.14</u></b>
<b>Segment results for the quarter ended September 30, 2018</b>						<b>Rupees Million</b>
	<b>T &amp; T</b>	<b>BFS</b>	<b>H &amp; I</b>	<b>HTPS</b>	<b>M &amp; C</b>	<b>Total</b>
Revenue	1,274.30	5,146.11	2,272.55	1,597.52	1,805.76	12,096.24
Expenses	(1,021.37)	(4,339.18)	(1,896.43)	(1,385.29)	(1,430.77)	(10,073.04)
Segment profit	<u>252.93</u>	<u>806.93</u>	<u>376.12</u>	<u>212.23</u>	<u>374.99</u>	<u>2,023.20</u>
Less: Depreciation and amortisation						(159.12)
Add: Exchange rate differences (net)						234.92
Add: Other income						29.44
Less: Interest expense						(0.07)
Less: Share in net profit of associate (net of tax)						<u>(1.23)</u>
<b>Profit before tax</b>						<b><u>2,127.14</u></b>
Less: Tax expense						<u>(405.78)</u>
<b>Profit after tax</b>						<b><u>1,721.36</u></b>

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

<b>Segment results for the nine months ended September 30, 2019</b>						<b>Rupees Million</b>
	<b>T &amp; T</b>	<b>BFS</b>	<b>H &amp; I</b>	<b>HTPS</b>	<b>M &amp; C</b>	<b>Total</b>
Revenue	4,021.32	16,085.50	7,689.95	5,861.94	6,878.30	40,537.01
Expenses	(3,219.48)	(14,214.00)	(6,255.91)	(4,878.11)	(5,586.77)	(34,154.27)
Segment profit	<u>801.84</u>	<u>1,871.50</u>	<u>1,434.04</u>	<u>983.83</u>	<u>1,291.53</u>	<u>6,382.74</u>
Less: Depreciation						(678.02)
Add: Exchange rate differences						188.89
Add: Other income						81.54
Less: Interest expense						(43.84)
Less: Exceptional item - Acquisition related costs						(169.55)
Add: Share in net profit of associate						2.12
<b>Profit before tax</b>						<b><u>5,763.88</u></b>
Less: Tax expense						<u>(1,028.44)</u>
<b>Profit after tax</b>						<b><u>4,735.44</u></b>

<b>Segment results for the nine months ended September 30, 2018</b>						<b>Rupees Million</b>
	<b>T &amp; T</b>	<b>BFS</b>	<b>H &amp; I</b>	<b>HTPS</b>	<b>M &amp; C</b>	<b>Total</b>
Revenue	3,919.59	14,595.50	5,904.71	4,319.50	5,214.11	33,953.41
Expenses	(3,027.30)	(12,632.17)	(4,881.50)	(3,776.98)	(4,213.81)	(28,531.76)
Segment profit	<u>892.29</u>	<u>1,963.33</u>	<u>1,023.21</u>	<u>542.52</u>	<u>1,000.30</u>	<u>5,421.65</u>
Less: Depreciation						(492.32)
Add: Exchange rate differences						719.40
Add: Other income						75.45
Less: Interest expense						(0.18)
Less: Share in net profit of associate						<u>1.53</u>
<b>Profit before tax</b>						<b>5,725.53</b>
Less: Tax expense						<u>(1,125.35)</u>
<b>Profit after tax</b>						<b><u>4,600.18</u></b>

**26.2 Geographic disclosures**

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

<b>Revenue</b>	<b>Rupees Million</b>			
	<b>For the quarter ended</b>		<b>For the nine months ended</b>	
	<b>September</b>	<b>September</b>	<b>September</b>	<b>September</b>
	<b>30, 2019</b>	<b>30, 2018</b>	<b>30, 2019</b>	<b>September 2018</b>
Americas	11,024.85	9,450.26	30,596.30	26,389.98
Europe	2,270.55	1,592.10	5,789.40	4,245.40
India	421.68	382.78	1,200.13	1,064.90
Rest of the world	1,096.39	671.10	2,951.18	2,253.13
<b>Total</b>	<b><u>14,813.47</u></b>	<b><u>12,096.24</u></b>	<b><u>40,537.01</u></b>	<b><u>33,953.41</u></b>

**HEXAWARE TECHNOLOGIES LIMITED**  
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**27 Contingent liabilities**

- a. Claims not acknowledged as debt amounts to Rs. 28.14 million (Rs. 28.14 million as on December 31, 2018), being a claim from landlord of a premise occupied by the Company in an earlier year. The Company is confident of successfully contesting the aforesaid matter and does not expect any outflow on this count.
- b. Claims for taxes on income where Company is in appeal  
Income tax demands of Rs. 9.59 million (Rs. 9.59 million as on December 31, 2018) have been raised in respect of assessments completed in earlier year, arising from certain disallowances by the Income tax authorities. The Company has appealed against the orders and based on merit, expects favourable outcome. Accordingly, no provision against such demand is considered necessary.

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

**28 Borrowings**

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

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

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

**29 Material events after Balance Sheet date**

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

The Board of Directors, at its meeting held on October 23, 2019 has declared interim dividend of Rs. 2/- per equity share (100%). This would result in cash outflow of Rs.719.32 Million including corporate dividend tax of Rs.122.65 million.

**30 Approval of the financial statements**

The consolidated financial statements were approved for issue by the Board of Directors on October 23, 2019.