

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF HEXAWARE TECHNOLOGIES
LIMITED**

Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of **HEXAWARE TECHNOLOGIES LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st December, 2016, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under section 133 of the Act, as applicable.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder and the Order under section 143 (11) of the Act.

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st December, 2016, its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143 (3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
- c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards prescribed under section 133 of the Act, as applicable.
- e) On the basis of the written representations received from the directors as on 31st December, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31st December, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.
- f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.

- g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 22 to the financial statements;
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For **DELOITTE HASKINS & SELLS LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Abhijit A. Damle
Partner
(Membership No. 102912)

MUMBAI, 7th February, 2017

ANNEXURE “A” TO THE INDEPENDENT AUDITOR’S REPORT

(Referred to in paragraph 1(f) under ‘Report on Other Legal and Regulatory Requirements’ of our report of even date)

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)

We have audited the internal financial controls over financial reporting of Hexaware Technologies Limited (“the Company”) as of 31st December, 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

The Company’s management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor’s Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company’s internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st December, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **DELOITTE HASKINS & SELLS LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Abhijit A. Damle
Partner
(Membership No. 102912)

MUMBAI, 7th February, 2017

ANNEXURE B TO THE INDEPENDENT AUDITOR'S REPORT

Re: Hexaware Technologies Limited

(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
 - (c) According to the information and explanations given to us and the records examined by us and based on the examination of the registered conveyance deed provided to us, we report that, the title deed of land which is freehold, is held in the name of the Company as at the balance sheet date. In respect of immovable properties of land and buildings that have been taken on lease and disclosed as fixed asset in the financial statements, the lease agreements are in the name of the Company, where the Company is the lessee in the agreement, except as disclosed in note 8(a) to the financial statements.
- (ii) The Company does not have any inventory and hence reporting under clause (ii) of the CARO 2016 is not applicable.
 - (iii) The Company has not granted loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013.
 - (iv) The Company has not granted loans, made investments or provided guarantees and securities to which sections 185 and 186 of the Companies Act, 2013 are applicable and hence reporting under clause (iv) of the CARO 2016 is not applicable.
 - (v) The Company has not accepted deposits from the public and therefore, reporting under clause (v) of the CARO 2016 is not applicable.
 - (vi) Reporting under clause (vi) of the CARO 2016 is not applicable as the Company's business activities are not covered by the Companies (Cost Records and Audit) Rules, 2014.
 - (vii) According to the information and explanations given to us, in respect of statutory dues:
 - (a) The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, cess and other material statutory dues applicable to it to the appropriate authorities.
 - (b) There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Service Tax, Customs Duty,

Excise Duty, Value Added Tax, cess and other material statutory dues, as applicable, in arrears as at 31st December, 2016 for a period of more than six months from the date they became payable.

- (c) Details of dues of Income Tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, and Value Added Tax, as applicable, which have not been deposited as on 31st December, 2016 on account of disputes are given below:

Name of Statute	Nature of Dues	Amount (Rs in Million)	Period to which the Amount Relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	1.1	Assessment year 2009-10	Assessing officer
Income Tax Act, 1961	Income Tax	3.99	Assessment year 2010-11	Commissioner of Income tax (Appeals)
Income Tax Act, 1961	Income Tax	2.76	Assessment year 2011-12	Assessing officer
Income Tax Act, 1961	Income Tax	0.4	Assessment year 2012-13	Commissioner of Income tax (Appeals)

- (viii) The Company has not taken loans or borrowings from financial institutions, banks and government or has not issued debentures. Hence reporting under clause (viii) of CARO 2016 is not applicable to the Company.
- (ix) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause (ix) of the CARO 2016 is not applicable.
- (x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has paid / provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.
- (xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of the CARO 2016 is not applicable.
- (xiii) In our opinion and according to the information and explanations given to us the Company is in compliance with Section 177 and 188 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements etc. as required by the applicable accounting standards.

- (xiv) During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause (xiv) of CARO 2016 is not applicable to the Company.
- (xv) In our opinion and according to the information and explanations given to us, during the year, the Company has not entered into any non-cash transactions with its directors or directors of its holding, subsidiary or associate company or persons connected with them and hence provisions of section 192 of the Companies Act, 2013 are not applicable.
- (xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For **DELOITTE HASKINS & SELLS LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Abhijit A. Damle
Partner
(Membership No. 102912)

MUMBAI, 7th February, 2017

HEXAWARE TECHNOLOGIES LIMITED

BALANCE SHEET AS AT 31ST DECEMBER, 2016

(Rs. Million)

Particulars	Note No.	As at 31st December 2016	As at 31st December 2015
I. EQUITY AND LIABILITIES			
Share holders' funds			
a. Share capital	2	604.06	603.13
b. Reserves and surplus	3	12,624.16	10,496.39
		13,228.22	11,099.52
Non-current liabilities			
a. Deferred tax liabilities (net)	4	29.14	91.95
b. Other long-term liabilities	5	13.32	7.29
c. Long-term provisions - Employee benefits		427.04	315.27
		469.50	414.51
Current liabilities			
a. Trade payables			
i. Dues of micro and small enterprises		2.48	-
ii. Others		1,233.91	1,352.18
b. Other current liabilities	6	1,135.58	1,168.33
c. Short-term provisions	7	566.72	952.62
		2,938.69	3,473.13
Total		16,636.41	14,987.16
II. ASSETS			
Non-current assets			
a. Fixed assets	8		
i. Tangible assets		2,845.15	2,905.74
ii. Intangible assets		100.86	104.66
iii. Capital work-in-progress		2,165.56	1,105.43
		5,111.57	4,115.83
b. Non-current investments	9	2,090.92	2,017.27
c. Long-term loans and advances	10	2,695.52	2,020.04
d. Other non-current assets	11	273.51	132.78
		10,171.52	8,285.92
Current assets			
a. Current investments	12	188.50	409.33
b. Trade receivables	13	2,733.56	3,970.97
c. Cash and cash equivalents	14	2,065.54	1,099.64
d. Short-term loans and advances	15	750.41	849.51
e. Other current assets	16	726.88	371.79
		6,464.89	6,701.24
Total		16,636.41	14,987.16
III. NOTES FORMING PART OF FINANCIAL STATEMENTS	1 to 38		

In terms of our report attached

For Deloitte Haskins & Sells LLP
Chartered Accountants

For and on behalf of the board of directors

Abhijit A. Damle
(Partner)

Atul K. Nishar
(Chairman)

Jimmy Mahtani
(Vice Chairman)

Place : Mumbai

Date : 7th February, 2017

HEXAWARE TECHNOLOGIES LIMITED
BALANCE SHEET AS AT 31ST DECEMBER, 2016

R. Srikrishna
(CEO & Executive Director)

Dileep Choksi
(Director)

Meera Shankar
(Director)

Bharat Shah
(Director)

Basab Pradhan
(Director)

Christian Oecking
(Director)

P. R. Chandrasekar
(Director)

Place : Mumbai
Date : 7th February, 2017

Rajesh Kanani
(Chief Financial Officer)

Gunjan Methi
(Company Secretary)

HEXAWARE TECHNOLOGIES LIMITED

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST DECEMBER, 2016

(Rs. Million)

Particulars	Note No.	For the year ended 31st December 2016	For the year ended 31st December 2015
I. INCOME			
a. Revenue from operations		13,930.41	12,935.97
b. Other income	17	94.36	103.36
		14,024.77	13,039.33
II. EXPENSES			
a. Software and development expenses	18	447.47	491.77
b. Employee benefits expense	19	6,945.46	6,344.66
c. Operations and other expense	20	1,738.69	1,576.12
d. Employee stock option compensation cost		246.74	211.10
e. Exchange rate difference (net)		(284.64)	(73.53)
f. Interest - others		1.01	0.29
g. Depreciation and amortisation expenses	8	425.87	408.36
		9,520.60	8,958.77
PROFIT BEFORE TAX		4,504.17	4,080.56
TAX EXPENSE			
a. Income tax-current		1,047.11	857.45
b. Less : MAT credit entitlement		(40.86)	(79.87)
Net current tax expense		1,006.25	777.58
c. Income Tax - Deferred		(62.81)	(26.73)
		943.44	750.85
PROFIT FOR THE YEAR		3,560.73	3,329.71
Earnings per share (in Rupees)	23		
Basic		11.80	11.05
Diluted		11.70	10.96
Face value of equity share (in Rupees)		2.00	2.00
III. NOTES FORMING PART OF FINANCIAL STATEMENTS	1 to 38		

In terms of our attached report of even date

For Deloitte Haskins & Sells LLP
Chartered Accountants

For and on behalf of the board

Abhijit A. Damle
(Partner)

Atul K. Nishar
(Chairman)

Jimmy Mahtani
(Vice Chairman)

Place : Mumbai
Date : 7th February, 2017

HEXAWARE TECHNOLOGIES LIMITED

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST DECEMBER, 2016

R. Srikrishna
(CEO & Executive Director)

Dileep Choksi
(Director)

Meera Shankar
(Director)

Bharat Shah
(Director)

Basab Pradhan
(Director)

Christian Oecking
(Director)

P. R. Chandrasekar
(Director)

Place : Mumbai
Date : 7th February, 2017

Rajesh Kanani
(Chief Financial Officer)

Gunjan Methi
(Company Secretary)

HEXAWARE TECHNOLOGIES LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2016

(Rs. Million)

Particulars	For the Year ended 31st December	
	2016	2015
A Cash flow from operating activities		
Net Profit before tax	4,504.17	4,080.56
Adjustments for :		
Depreciation and amortisation expense	425.87	408.36
Employee stock option compensation cost	246.74	211.10
Dividend from current investments	(12.44)	(45.39)
Interest income	(64.00)	(33.72)
Provision for doubtful accounts (net of write back)	(38.51)	44.53
Debts and advances written off	15.18	7.90
Deferred settlement loss relating to roll-over cash flow hedges	-	184.36
(Profit) on sale of fixed assets (net)	(1.55)	(1.40)
Interest - others	1.01	0.29
Exchange rate difference (net) - unrealised	(6.75)	6.78
Operating Profit before working capital changes	5,069.72	4,863.37
Adjustments for :		
Trade and other receivables	1,152.54	(871.13)
Trade and other payables	109.36	(244.84)
Cash generated from operations	6,331.62	3,747.40
Direct taxes paid (net)	(993.28)	(871.39)
Net cash from operating activities	5,338.34	2,876.01
B Cash flow from investing activities		
Purchase of fixed assets	(1,276.29)	(1,001.19)
Investments in subsidiaries (including share application money)	(81.68)	(81.67)
Purchase of current investments	(7,162.44)	(9,406.24)
Loan to a subsidiary	(774.05)	(154.50)
Interest received	11.24	15.22
Proceeds from sale / redemption of current investments	7,383.27	10,847.87
Dividend from current investments	12.44	45.39
Proceeds from sale of fixed assets	2.13	2.84
Net cash (used in) / from investing activities	(1,885.38)	267.72
C Cash flow from financing activities		
Proceeds from issue of shares (net)	13.06	31.27
Interest paid	(1.01)	(0.29)
Dividend paid (including corporate dividend tax)	(2,505.86)	(3,172.17)
Net cash (used in) financing activities	(2,493.81)	(3,141.19)
Net (Decrease) / Increase in cash and cash equivalents	959.15	2.54
Cash and cash equivalents at the beginning of the year	1,105.57	1,103.03
Cash and cash equivalents at the end of the year (Refer Note 1 below)	2,064.72	1,105.57
Notes:		
1 Components of cash and cash equivalents comprise the following : (Refer Note no. 14 of notes forming part of financial statements)		
Cash and Bank Balances	2,210.61	1,230.14
Less : Restricted bank balances	(145.07)	(130.50)
Cash and Cash equivalents	2,065.54	1,099.64
Add : Unrealised (Gain) / Loss on foreign currency cash and cash equivalents	(0.82)	5.93
Total Cash and Cash equivalents	2,064.72	1,105.57
2 Previous year's figures have been regrouped wherever necessary.		
In terms of our report attached		
For Deloitte Haskins & Sells LLP Chartered Accountants	For and on behalf of the board of directors	
Abhijit A. Damle (Partner)	Atul K. Nishar (Chairman)	Jimmy Mahtani (Vice Chairman)
Place : Mumbai		
Date : 7th February, 2017		

HEXAWARE TECHNOLOGIES LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2016

R. Srikrishna
(CEO & Executive Director)

Dileep Choksi
(Director)

Meera Shankar
(Director)

Bharat Shah
(Director)

Basab Pradhan
(Director)

Christian Oecking
(Director)

P. R. Chandrasekar
(Director)

Place : Mumbai
Date : 7th February, 2017

Rajesh Kanani
(Chief Financial Officer)

Gunjan Methi
(Company Secretary)

Hexaware Technologies Limited
Notes to Financial Statements

1 A Background

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

B Significant Accounting Policies

i) Basis of Preparation of Financial Statements

These financial statements are prepared in accordance with generally accepted accounting principles applicable in India under the historical cost convention except for certain financial instruments which are measured at fair value. These financial statements comply in all material aspects with the applicable provisions of the Companies Act, 2013 (the "Act").

ii) Use of Estimates

The preparation of the financial statements, in conformity with the generally accepted accounting principles, requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities and disclosures relating to contingent liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Differences between actual results and estimates are recognised in the year in which the results are known / materialised. Example of such estimates include provision for doubtful debts, employee benefits, share based compensation, provision for income taxes, accounting for contract costs expected to be incurred, the useful lives of depreciable fixed assets and provisions for impairment.

iii) Revenue Recognition

Revenues from software solutions and consulting services are recognized on specified terms of contract. In case of contract on time and material basis revenue is recognised when the related services are performed and in case of fixed price contracts revenue is recognized using percentage of completion method of accounting. 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 included in other current assets represents amount recognized based on services performed in advance of billing in accordance with contract terms. Revenue is reported net of discount / incentive.

Revenue from business process management arises from unit – priced contracts, time based contracts, cost based projects and engagement services. Such revenue is recognised on completion of the related services and is billed in accordance with the specific terms of the contract with the client.

Dividend income is recognised when right to receive is established.

Interest Income is recognised on time proportion basis.

Profit on sale of investments is recorded on transfer of title from the Company and is determined as the difference between the sales price and the then carrying value of the investment.

iv) Fixed Assets

Fixed assets are stated at cost of acquisition less accumulated depreciation / amortisation and impairment loss, if any. Cost includes all expenses incurred for acquisition of assets to bring these to working conditions for intended use.

Hexaware Technologies Limited
Notes to Financial Statements

v) Depreciation and Amortisation

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

Asset Class	Estimated Useful Life
Building	60 years
Computer Systems (included in Plant and Machinery)	3 years
Office Equipment	5 years
Electrical Fittings (included in Plant and Machinery)	8 years
Furniture and Fixtures	8 years
Vehicles	4 years
Leasehold Land	Over the lease period
Improvements to leased Premises	Over the lease period
Software	3 years

vi) Investments

Long term investments are stated at cost. Provision is made for diminution in the value of long term investments, if such diminution is other than temporary. Current investments are carried at cost or fair value, whichever is lower.

vii) Foreign Currency Transaction / Translation

Transactions in foreign currency are recorded at the original rate of exchange in force at the time transactions are effected. Exchange differences arising on settlement of foreign currency transactions are recognized in the Statement of Profit and Loss. Monetary items denominated in foreign currency are restated using the exchange rate prevailing at the date of the Balance Sheet and the resulting net exchange difference is recognized in the Statement of Profit and Loss.

In respect of forward contracts entered into to hedge foreign currency exposure in respect of recognized monetary items, the premium or discount on such contracts is amortized over the life of the contract. The exchange difference measured by the change in exchange rate between the inception dates of the contract / last reporting date as the case may be and the balance sheet date is recognized in the Statement of Profit and Loss. Any gain / loss on cancellation of such forward contracts are recognised as income / expense of the year.

Foreign Branches

In respect of the foreign branches, being integral foreign operations, all revenues and expenses during the year are reported at average rate prevailing during the year. Monetary assets and liabilities are restated at the year-end exchange rate. Non-monetary assets and liabilities are stated at the rate prevailing on the date of the transaction. Balance in 'head office' account whether debit or credit is translated at the amount of the balance in the 'foreign branch' account in the books of the head office. Net gain / loss on foreign currency translation is recognized in the Statement of Profit and Loss.

viii) Derivative instruments and hedge accounting

The Company enters into foreign currency forward contracts and currency options contracts to hedge its risks associated with foreign currency fluctuations relating to highly probable forecast transactions. The Company designates these instruments as cash flow hedges applying the recognition and measurement principles set out in the Accounting Standard (AS) 30 "Financial Instruments: Recognition and Measurement". These instruments are initially measured at fair value and are re-measured at subsequent reporting dates. Accordingly, the Company records the cumulative gain or loss on effective cash flow hedges in the Hedging Reserve account until the forecasted transaction materializes. Gain or loss on ineffective cash flow hedges is recognized in the Statement of Profit and Loss. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in hedging reserve is transferred to the Statement of Profit and Loss.

ix) Employee Benefits

i. Post-employment benefits and other long term benefit plans:

Payments to defined contribution schemes are expensed as incurred. For defined benefit schemes and other long term benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognized in full in the Statement of Profit and Loss for the period in which they occur. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight line basis over the average period until the benefits become vested. The retirement benefit liability recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to the lower of the amount determined as the defined benefit liability and the present value of available refunds and /or reduction in future contributions to the scheme.

ii. Short term employee benefits:

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

x) Borrowing costs

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

xi) Leases

i. Finance Lease

Assets taken on finance lease are accounted for as fixed assets at lower of present value of the minimum lease payments and the fair value and a liability is recognised for an equivalent amount. Lease payments are apportioned between finance charge and reduction in outstanding liability.

ii. Operating Leases

Assets taken on lease under which all risks and rewards of ownership are effectively retained by the lessor are classified as operating lease. Lease payments under operating leases are recognised as expenses on straight line basis over the lease term.

Hexaware Technologies Limited
Notes to Financial Statements

xii) Taxes on Income

Income Taxes are accounted for in accordance with Accounting Standard (AS 22) on "Accounting for Taxes on Income". Tax expense comprises of current tax and deferred tax. Current tax is measured at the amount expected to be paid or recovered from the tax authorities using the applicable tax rates. Deferred taxes are recognised for future tax consequence attributable to timing difference between taxable income and accounting income, measured at relevant enacted / substantively enacted tax rates.

In the event of unabsorbed depreciation and carry forward losses, deferred tax assets are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available to realise such assets. In other situations, deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available to realise these assets.

Minimum Alternate Tax (MAT) credit entitlement is recognized in accordance with the Guidance Note on "Accounting for credit available in respect of Minimum Alternate Tax under the Income Tax Act, 1961" issued by The Institute of Chartered Accountants of India (ICAI). MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will be able to adjust against the normal income tax during the specified period. At each balance sheet date, the Company reassesses MAT credit assets and adjusts the same, where required.

Advance taxes paid and provisions for current income taxes are presented net in the balance sheet if arising in the same tax jurisdiction and where the entity intends to settle the asset and liability on a net basis.

xiii) Impairment of assets

An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. An impairment loss is charged to the Statement of Profit and Loss in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

xiv) Share based compensation

The compensation cost of stock options / Restricted Stock Units (RSU) granted to employees of the Company and its subsidiaries is measured using intrinsic value method for the grants made before 1st April, 2015 and for the subsequent grants the same is measured using fair value method being the recommended method of valuation by the Guidance note on Accounting for Employee Share Based Payments issued by the Institute of Chartered Accountants of India. The Compensation cost is amortised over the vesting period of the options.

xv) Provisions, Contingent Liabilities and Contingent assets

Provisions involving substantial degree of estimation in measurement are recognised when as a result of past events there is a present obligation that can be estimated reliably and it is probable that there will be an outflow of resources. Contingent liabilities are not recognised, but are disclosed in the notes. Contingent assets are neither recognised nor disclosed in the financial statements.

xvi) Cash and Cash Equivalents

Cash and cash equivalents comprise of cash, current account balances and demand deposit with banks and financial institutions.

Particulars	As at		As at	
	31st December 2016		31st December 2015	
2. SHARE CAPITAL				
a. Authorised				
475,000,000 Equity shares of Rs. 2/- each		950.00		950.00
1,100,000 Series "A" Preference shares of Rs. 1,421/- each		1,563.10		1,563.10
(Authorised Preference share capital can be either cumulative or non cumulative with a power to the Company to convert the same into equity shares at any time.)				
	Total	<u>2,513.10</u>		<u>2,513.10</u>
b. Issued, subscribed and paid-up capital				
Equity Shares of Rs. 2/- each fully paid		604.06		603.13
	Total	<u>604.06</u>		<u>603.13</u>
c. Reconciliation of number of shares				
Particulars	Numbers	Amount	Numbers	Amount
Shares outstanding at the beginning of the year	301,562,897	603.13	300,923,472	601.85
Shares issued during the year	465,298	0.93	639,425	1.28
Shares outstanding at the end of the year	302,028,195	604.06	301,562,897	603.13
d. Details of shares held by shareholders holding more than 5% shares				
Name of Shareholder	No. of Shares held	% of holding	No. of Shares held	% of holding
HT Global IT Solutions Holdings Ltd. (Holding company)	215,047,193	71.20	215,047,193	71.31
e. Shares allotted as fully paid up by way of bonus shares during five years preceding the year end				
The Company allotted 145,545,781 equity shares as fully paid up bonus shares by utilisation of Securities premium account on 2nd March, 2011 pursuant to shareholder's resolution passed in Extra Ordinary General Meeting held on 15th February, 2011.				
f. 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.				
g. Shares reserved for issue under options				
The Company has granted employee stock options under ESOP 2002, 2007 and 2008 schemes and restricted stock units (RSUs) under the ESOP 2008 and 2015 scheme. Each option / RSU entitles the holder to one equity share of Rs. 2 each. 9,264,407 (9,844,513) options / RSUs were outstanding as on 31st December, 2016. (Refer Note no. 26)				
h. The Board of Directors, at its meeting held on 7th February, 2017 has declared 50% of interim dividend of Re. 1/- per equity share. Further during the year, the Company has also paid interim dividends aggregating Rs. 4.50/- per share (225%).				
i. The Board of Directors, at its meeting held on 25th October, 2016, approved a buyback proposal to which shareholders accorded their consent on 22nd December 2016, for purchase by the Company of upto 5,694,835 shares of Rs. 2 each (representing 1.9% of total issued equity shares) from the shareholders of the Company on a proportionate basis by way of a tender offer route at a price of Rs. 240 per equity share for an aggregate amount not exceeding Rs. 1,366.76 Million in accordance with the provisions of the Companies Act, 2013 and SEBI (Buy Back of Securities) Regulations, 1998. The Buyback offer opens on 2nd February, 2017 and closes on 15th February, 2017.				

HEXAWARE TECHNOLOGIES LIMITED
NOTES TO FINANCIAL STATEMENTS

(Rs. Million)

Particulars	As at	
	31st December 2016	31st December 2015
3. RESERVES AND SURPLUS		
a. Securities premium account		
Opening balance	4,772.37	4,741.93
Add : Received during the year	12.13	30.44
Add : Transfer from employee stock option outstanding	24.23	-
Closing balance	4,808.73	4,772.37
b. Employee stock options outstanding		
Opening balance	232.66	-
Add : Employee stock option compensation cost (includes Rs. Nil (Rs. 21.56 million) transferred from other payable for expenses, being accrual in earlier year)	246.74	232.66
Less : Transfer to securities premium account on exercise of stock options	24.23	-
Closing balance	455.17	232.66
c. General reserve	2,135.75	2,135.75
d. Hedging reserve		
Opening balance	15.96	(253.01)
Add : (Profit) / Losses transferred to Statement of Profit and Loss on occurrence of forecasted hedge transactions (net)	(147.35)	109.97
Add : Changes in the fair value of the effective portion of outstanding cash flow hedges	454.16	159.00
Closing balance	322.77	15.96
e. Amalgamation reserve	2.88	2.88
f. Special Economic Zone Re-investment reserve		
Opening balance	329.52	281.39
Add : Transfer from Balance in Statement of Profit and Loss	177.73	172.75
Less : Transfer to Statement of Profit and Loss on utilisation for acquisition of plant and machinery	174.30	124.62
Closing balance	332.95	329.52
g. Balance in Statement of Profit and Loss		
Opening balance	3,007.25	2,862.59
Add : Transfer from Special Economic Zone Re-investment reserve	174.30	124.62
Add : Profit for the year	3,560.73	3,329.71
	6,742.28	6,316.92
Less : Appropriations		
Transfer to Special Economic Zone Re-investment reserve	177.73	172.75
Interim dividend - equity	1,660.60	2,608.16
Tax on dividend	338.04	528.76
Closing balance	4,565.91	3,007.25
Total	12,624.16	10,496.39

HEXAWARE TECHNOLOGIES LIMITED

NOTES TO FINANCIAL STATEMENTS

(Rs. Million)

Particulars	As at	As at
	31st December 2016	31st December 2015
4. DEFERRED TAX LIABILITIES		
Deferred tax liabilities		
a. Depreciation	182.70	169.51
Less : Deferred tax assets		
a. Employee benefits	104.32	67.49
b. Provision for doubtful receivables	19.24	10.07
c. Provision others	30.00	-
	<u>153.56</u>	<u>77.56</u>
Total	<u>29.14</u>	<u>91.95</u>
5. OTHER LONG TERM LIABILITIES		
a. Capital creditors	1.86	3.39
b. For expenses	11.46	3.90
Total	<u>13.32</u>	<u>7.29</u>
6. OTHER CURRENT LIABILITIES		
a. Unearned revenues	9.60	25.54
b. Unclaimed dividend *	137.66	119.92
c. Other payables		
i. Employee related	294.92	265.51
ii. Statutory liabilities	128.48	146.14
iii. Deposit received from customer / lessee	0.03	-
iv. Capital creditors	248.76	312.46
v. For expenses	316.13	298.76
* There is no amount due and outstanding to be credited to Investor Education and Protection Fund.		
Total	<u>1,135.58</u>	<u>1,168.33</u>
7. SHORT TERM PROVISIONS		
a. For employee benefits	62.34	56.40
b. Proposed dividend	302.03	723.75
c. Tax on proposed dividend	61.48	147.34
d. For tax (net of advance tax) (net of MAT credit availed Rs. 0.25 million (Rs. 47.68 million)	54.20	25.13
e. Others (Refer Note no. 30)	86.67	-
Total	<u>566.72</u>	<u>952.62</u>

HEXAWARE TECHNOLOGIES LIMITED
NOTES TO FINANCIAL STATEMENTS

8. FIXED ASSETS

(Rs. Million)

Particulars	GROSS BLOCK				DEPRECIATION AND AMORTISATION				NET BLOCK	
	As at 01.01.2016	Additions	Deductions / Adjustments	As at 31.12.2016	As at 01.01.2016	For the year	Deductions / Adjustments	As at 31.12.2016	As at 31.12.2016	As at 31.12.2015
i. Tangible Assets										
Land - Freehold	0.15	-	-	0.15	-	-	-	-	0.15	0.15
Land - Leasehold	161.07	121.89	-	282.96	14.52	2.69	-	17.21	265.75	146.55
Building	2,250.89	1.01	-	2,251.90	223.72	40.54	-	264.26	1,987.64	2,027.17
Plant and Machinery	1,574.14	133.58	36.95	1,670.77	1,169.22	184.45	36.76	1,316.91	353.86	404.92
Office Equipments	784.39	33.62	2.48	815.53	595.12	88.90	2.32	681.70	133.83	189.27
Furniture and Fixtures	508.94	4.61	0.42	513.13	380.32	34.52	0.41	414.43	98.70	128.62
Vehicles	24.64	0.17	1.90	22.91	17.45	2.80	1.68	18.57	4.34	7.19
Leasehold Improvements	4.97	-	-	4.97	3.10	0.99	-	4.09	0.88	1.87
Total	5,309.19	294.88	41.75	5,562.32	2,403.45	354.89	41.17	2,717.17	2,845.15	2,905.74
<i>Previous year</i>	<i>5,110.32</i>	<i>255.05</i>	<i>56.18</i>	<i>5,309.19</i>	<i>2,112.22</i>	<i>346.30</i>	<i>55.07</i>	<i>2,403.45</i>	<i>2,905.74</i>	
ii. Intangible Assets										
Software (other than internally generated)	391.14	67.18	-	458.32	286.48	70.98	-	357.46	100.86	104.66
Total	391.14	67.18	-	458.32	286.48	70.98	-	357.46	100.86	104.66
<i>Previous year</i>	<i>329.58</i>	<i>61.80</i>	<i>0.24</i>	<i>391.14</i>	<i>224.42</i>	<i>62.06</i>	<i>-</i>	<i>286.48</i>	<i>104.66</i>	
iii. Capital work-in-progress (mainly in respect of buildings under construction)									2,165.56	1,105.43
Grand total	5,700.33	362.06	41.75	6,020.64	2,689.93	425.87	41.17	3,074.63	5,111.57	4,115.83
<i>Previous year</i>	<i>5,439.90</i>	<i>316.85</i>	<i>56.42</i>	<i>5,700.33</i>	<i>2,336.64</i>	<i>408.36</i>	<i>55.07</i>	<i>2,689.93</i>	<i>4,115.83</i>	

Notes:

- a) Land - Leasehold includes Rs. 90.00 million and Rs. 8.31 million (Previous year Rs. 7.40 million) being lease premium and accumulated amortisation respectively in respect of one parcel of leasehold land allotted to the Company at Nagpur for which final lease agreement is being executed.
- b) Plant and machinery includes Computer systems.

HEXAWARE TECHNOLOGIES LIMITED
NOTES TO FINANCIAL STATEMENTS

(Rs. Million)

Particulars	As at	
	31st December 2016	31st December 2015
9. NON-CURRENT INVESTMENTS		
Trade investments in subsidiary companies (unquoted) (at cost)		
a. 30,026 common stock at no par value in Hexaware Technologies Inc., U.S.A.	1,632.68	1,632.68
b. 2,167,000 shares of 1 GBP each fully paid up in Hexaware Technologies UK Ltd.	154.64	154.64
c. 500,000 shares of Singapore \$ 1/- each fully paid up in Hexaware Technologies Asia Pacific Pte. Ltd., Singapore	12.48	12.48
d. 3,618 shares of face value 50 euro each fully paid up in Hexaware Technologies Gmbh., Germany	7.57	7.57
e. 1 common stock at no par value in Hexaware Technologies Canada Limited, Canada	0.73	0.73
f. 9,500,000 shares of Rs. 10/- each fully paid up in Risk Technology International Limited	93.50	93.50
g. 1 participation share of no par value in Hexaware Technologies Mexico S De R.L. De C.V.	29.42	29.42
h. 20 (5) shares of USD 5000/- each in Guangzhou Hexaware Information Technologies Company Limited, China	6.72	1.66
i. Entire Share Capital in Hexaware Technologies Limited Liability Company, Russia	148.60	80.01
	<u>2,086.34</u>	<u>2,012.69</u>
Trade investments (unquoted) (at cost) - in others		
240,958 equity shares of Rs. 10/- each fully paid up in Beta Wind Farm Pvt. Ltd.	4.58	4.58
	<u>4.58</u>	<u>4.58</u>
Total	<u><u>2,090.92</u></u>	<u><u>2,017.27</u></u>
10. LONG TERM LOANS AND ADVANCES (UNSECURED)		
Considered good		
a. Loans to related parties (Refer Note no. 27)	1,128.55	354.50
b. Share application in Hexaware Technologies Saudi (Limited Liability Company), Saudi Arabia	8.03	-
c. Capital Advances	4.21	215.34
d. Security Deposits	189.16	128.03
e. Advance Income Tax and Fringe benefit Tax (net of provision for tax)	316.33	341.33
f. MAT Credit Entitlement	958.59	917.48
g. Other Loans and advances (includes service tax receivable, prepaid expenses etc.)	90.65	63.36
Total	<u><u>2,695.52</u></u>	<u><u>2,020.04</u></u>
11. OTHER NON-CURRENT ASSETS		
a. Interest accrued on deposits	0.94	0.51
c. Non current bank balances		
Restricted bank balances (Refer Note no. 14)	145.07	130.50
d. Receivable on account of MTM gains on derivatives contract (net) (Refer Note no. 25)	127.50	1.77
Total	<u><u>273.51</u></u>	<u><u>132.78</u></u>

HEXAWARE TECHNOLOGIES LIMITED
NOTES TO FINANCIAL STATEMENTS

(Rs. Million)

Particulars	As at		As at	
	31st December 2016 No. of units	Amount	31st December 2015 No. of units	Amount
12. CURRENT INVESTMENTS				
Investments in mutual funds (Unquoted) (at cost or fair value whichever is lower)				
Birla Sun life floating Rate Fund-STP-IP-Daily Dividend Reinvestmnet-Direct Plan (face value Rs. 100/-)	402,070	40.22	-	-
Kotak Liquid Regular Plan - Daily Dividend (face value Rs. 1000/-)	32,882	40.21	-	-
HDFC Liquid Fund - Regular Plan - Dividend - Daily Reinvest (face value Rs. 1000/-)	34,328	35.01	-	-
ICICI Prudential Liquid Plan - Daily Dividend (face value Rs. 100/-)	351,840	35.22	-	-
SBI Magnum Insta Cash Fund - Regular Plan - Daily Dividend (face value Rs. 1000/-)	6,059	10.15	-	-
Axis Liquid Fund - Daily Dividend Reinvestment (CF-DD) (face value Rs. 1000/-)	15,041	15.05	-	-
Reliance Liquid Fund - Treasury Plan - Daily Dividend (face value Rs. 1000/-)	1,721	2.63	-	-
Tata Money Market Fund -Daily Dividend Reinvestment (face value Rs. 1000/-)	9,996	10.01	-	-
Kotak Liquid Plan A - Daily Dividend (face value Rs. 1000/-)	-	-	32,840	40.16
HDFC Liquid Fund - Daily Dividend Reinvest (face value Rs. 1000/-)	-	-	98,073	100.02
UTI Money Market Fund - Institutional Plan - Daily Dividend Reinvest (face value Rs. 1000/-)	-	-	25,422	25.51
Sundaram Money Fund - Daily Dividend Reivestment (face value Rs. 10/-)	-	-	9,907,121	100.01
DWS Insta Cash Plus Fund - Daily Dividend - Reinvestment (face value Rs. 100/-)	-	-	755,669	75.80
DWS Treasury Fund - Cash - Direct Pan - Daily Dividend - Reinvestment (face value Rs. 100/-)	-	-	597,903	60.02
Reliance Liquidity Fund - Direct Plan - Daily Dividend Reinvestment Plan (face value Rs. 1000/-)	-	-	7,811	7.81
Total		<u>188.50</u>		<u>409.33</u>

HEXAWARE TECHNOLOGIES LIMITED
NOTES TO FINANCIAL STATEMENTS

(Rs. Million)

Particulars	As at	
	31st December 2016	31st December 2015
13. TRADE RECEIVABLES (UNSECURED)		
a. Over six months from the due date		
Considered good	20.39	24.46
Considered doubtful	23.34	48.11
	43.73	72.57
Less : Provision for doubtful receivables	23.34	48.11
	20.39	24.46
b. Others		
Considered good	2,713.17	3,946.51
Considered doubtful	5.02	18.56
	2,718.19	3,965.07
Less : Provision for doubtful receivables	5.02	18.56
	2,713.17	3,946.51
Total	2,733.56	3,970.97
14. CASH AND CASH EQUIVALENTS		
a. Balances with banks		
i. In current accounts	643.20	1,093.93
ii. Remittances in transit	-	2.06
iii. Bank deposit accounts with less than 3 months maturity	26.91	3.65
	670.11	1,099.64
b. Other bank balances		
i. Earmarked balances with banks (Refer note 2 (i))	1,395.43	-
ii. Unclaimed dividend accounts	137.66	120.28
iii. Margin money	7.41	10.22
	1,540.50	130.50
Total Cash and Bank Balances	2,210.61	1,230.14
c. Less : Bank balances classified as non current assets		
Restricted bank balances (Refer Note no. 11)	(145.07)	(130.50)
Total	2,065.54	1,099.64
15. SHORT TERM LOANS AND ADVANCES (UNSECURED)		
a. Considered good		
i. Security deposits	31.48	6.27
ii. Loans and advances to related parties (Refer Note no. 27)	218.33	270.73
iii. Other loans and advances (includes service tax receivable, prepaid expenses, employee travel advances etc.)	500.60	572.51
	750.41	849.51
b. Considered doubtful		
Security deposits	34.56	35.15
Less : Provision for doubtful deposits	34.56	35.15
	-	-
Total	750.41	849.51
16. OTHER CURRENT ASSETS		
a. Interest accrued on deposits	0.49	1.05
b. Unbilled services	495.77	351.66
c. Receivable on account of MTM gains on derivatives contract (net)	230.62	19.08
Total	726.88	371.79

HEXAWARE TECHNOLOGIES LIMITED
NOTES TO FINANCIAL STATEMENTS

(Rs. Million)

Particulars	For the year ended 31st December 2016	For the year ended 31st December 2015
17. OTHER INCOME		
a. Dividend from current investments	12.44	45.39
b. Interest income	64.00	33.72
c. Profit on sale of fixed assets (net)	1.55	1.40
d. Miscellaneous income	16.37	22.85
Total	94.36	103.36
18. SOFTWARE AND DEVELOPMENT EXPENSES		
a. Consultant travel and related expenses	180.18	246.46
b. Software expenses *	267.29	245.31
Total	447.47	491.77
* includes subcontracting charges	238.49	212.50
19. EMPLOYEE BENEFITS EXPENSES		
a. Salaries and allowances	6,178.62	5,646.51
b. Contribution to provident and other funds	431.81	399.50
c. Staff welfare expenses	335.03	298.65
Total	6,945.46	6,344.66
20. OPERATIONS AND OTHER EXPENSES		
a. Rent (Refer Note no. 28)	188.69	134.97
b. Rates and taxes	23.50	34.46
c. Travelling and conveyance expenses	355.06	292.65
d. Electricity charges	208.47	189.94
e. Communication expenses	172.53	151.32
f. Repairs and maintenance		
Building	45.04	33.14
Plant and Machinery	146.25	142.49
Others	88.47	96.83
	279.76	272.46
g. Printing and stationery	26.06	23.48
h. Auditors remuneration		
Audit Fees	5.52	5.53
Tax Audit Fees	1.68	1.65
Certification work, taxation and other matters	5.25	4.79
	12.45	11.97
i. Legal and professional fees	118.52	109.65
j. Advertisement and business promotion	72.44	38.89
k. Bank and other charges	4.22	4.36
l. Directors' sitting fees	1.22	1.16
m. Insurance charges	14.74	15.09
n. Debts and advances written off	15.18	7.90
o. Provision for doubtful accounts (Net off write back) **	(38.51)	44.53
p. Staff recruitment expenses	66.00	56.78
q. Service charges	150.88	142.36
r. Miscellaneous expenses #	67.48	44.15
# includes stamp duty & filing fees, registrar and share transfer expenses, membership and subscription fees etc.		
Total	1,738.69	1,576.12
** net of write back	(49.82)	(11.05)

Hexaware Technologies Limited
Notes to Financial Statements

21 Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances) Rs. 40.63 million (Previous year Rs. 974.98 million)

22 Contingent Liabilities in respect of

a) Claims not acknowledged as debt Rs. 28.14 million (Previous Year Rs 28.14 million), 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

Income taxes of Rs 9.59 million (Previous year Rs 9.74 million) 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 merits, expects favourable outcome. Hence, no provision is considered necessary.

23 Earnings Per Share (EPS) - The components of basic and diluted earnings per share are as follows

Particulars	For the Year ended 31st December	
	2016	2015
Net profit after tax (Rs Million)	3,560.73	3,329.71
Weighted average outstanding equity shares considered for basic EPS (Nos)	301,814,066	301,313,790
Basic Earnings per share: (in Rs.)	11.80	11.05
Weighted average outstanding equity shares considered for diluted EPS (Nos)	301,814,066	301,313,790
Add : Dilutive impact of employee stock options (Nos)	2,630,374	2,459,825
Weighted average outstanding equity shares considered for diluted EPS (Nos)	304,444,440	303,773,615
Diluted Earnings per share: (in Rs.)	11.70	10.96

24 The Provision for current income tax is aggregate of the balance tax for three months ended 31st March, 2016 based on the returned income for the tax year ended 31st March, 2016 and the provision based on the taxable income for the remaining nine months up to 31st December, 2016, the actual tax liability, for which, will be determined on the basis of the results for the tax year ending 31st March, 2017.

25 Derivative Instruments

a) Forward exchange contracts to Sell US Dollar 141.82 million, Euro 4.20 million and GBP 4.20 million are outstanding as of 31st December, 2016 (Previous Year US Dollar 156.94 million ,Euro 5.60 million and GBP 4.20 million)

Fair value net gain on the derivative instruments identified as cash flow hedges is Rs. 358.12 million as at 31st December, 2016 (Previous Year Rs. 20.85 million).

Net gain of Rs. 322.77 million recognized in Hedging Reserve as at 31st December 2016 is expected to be recycled to Statement of Profit and Loss over two years.

b) As at the balance sheet date the Company has net receivable foreign currency exposure that are not hedged by a derivative instrument or otherwise amounting to Rs. 2,237.21 million (Previous Year Rs. 2,575.57 million)

Hexaware Technologies Limited
Notes to Financial Statements

26 Share Based Compensation (ESOP)

a) The Remuneration and Compensation Committee ('Committee') of the Company administers the stock options plans viz. ESOP 2002, 2007, 2008 and 2015 plan. Under the plans, the employees of the Company as well as its subsidiaries are granted options/ Restricted Stock Options (RSU) entitling them to one equity share of Rs 2/- each for each option granted. Exercise price is the market price of the shares of the Company at the grant date or the price determined by the Committee. The Options / RSU's vest over a period of 1 to 4 years from the date of grant on the basis of service period and/or performance achievement. The maximum time available to exercise upon vesting is 6 years.

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

Particulars	ESOP - 2002		ESOP - 2007		ESOP - 2008		ESOP - 2015		Total	
	Options (nos.)	Weighted ex. Price per share (Rs.)	Options (nos.)	Weighted ex. Price per share (Rs.)	Options/RSU's (nos.)	Weighted ex. Price per share (Rs.)	RSU's (nos.)	Weighted ex. Price per share (Rs.)	Options/RSU's (nos.)	Weighted ex. Price per share (Rs.)
Outstanding at the beginning of the year	23,000	12.45	839,575	48.69	4,124,814	2.00	4,857,124	2.00	9,844,513	6.01
	(51,000)	(12.45)	(1,525,500)	(50.23)	(-)	(-)	(-)	(-)	(1,576,500)	(49.01)
Granted during year	-	-	-	-	-	-	1,048,312	2.00	1,048,312	2.00
	(-)	(-)	(-)	(-)	(4,217,814)	(2.00)	(4,974,924)	(2.00)	(9,192,738)	(2.00)
Exercised during the year	23,000	12.45	334,325	37.55	69,843	2.00	38,130	2.00	465,298	28.06
	(28,000)	(12.45)	(611,425)	(51.31)	(-)	(-)	(-)	(-)	(639,425)	(49.60)
Lapsed during the year	-	-	77,500	18.97	422,220	2.00	663,400	2.00	1,163,120	3.13
	(-)	(-)	(74,500)	(58.74)	(93,000)	(2.00)	(117,800)	(2.00)	(285,300)	(16.82)
Outstanding at the year end	-	-	427,750	62.79	3,632,751	2.00	5,203,906	2.00	9,264,407	2.00
	(23,000)	(12.45)	(839,575)	(48.69)	(4,124,814)	(2.00)	(4,857,124)	(2.00)	(9,844,513)	(6.01)
Exercisable as at the year end	-	-	427,750	62.79	271,836	2.00	548,099	2.00	1,247,685	2.00
	(23,000)	(12.45)	(839,575)	(48.69)	(-)	(-)	(-)	(-)	(862,575)	(47.73)

Previous Year figures are given in brackets.

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

Range of exercise price	As at 31st December 2016		As at 31st December, 2015	
	Options/RSU's (Nos)	Life	Options (Nos)	Life
2- 12.45	8,836,657	47	9,263,738	55
40.28	57,000	7	57,000	19
59.08 - 79.85	370,750	15	523,775	27
Total	9,264,407		9,844,513	

d) The Company has followed the Intrinsic Value-based method of accounting for grants made before April 1, 2015. For the grants made after 1st April, 2015, the Company has recognised compensation cost using fair value method. Had the compensation costs for the grants made before 1st April, 2015 been recognised using fair value method, the income would have been higher by NIL (Previous year higher Rs.7.51 million) and earnings per share (EPS) as reported would be as indicated below:

Particulars	Year 2016	Year 2015
Basic EPS		
As reported (in Rs.)	11.80	11.05
Adjusted (in Rs.)	11.80	11.08
Diluted EPS		
As reported (in Rs.)	11.70	10.96
Adjusted (in Rs.)	11.70	10.99

e) During the year, the Company granted 1,048,312 RSU's under ESOP 2015 plan with weighted average fair value of Rs. 189.47/- per share. The fair values of the RSU's are determined using Black Scholes Option pricing model using following assumptions:

Particulars	Year 2016
Weighted Average share price	213.63
Dividend Yield (%)	3.73- 4.14
Expected Life (years)	1.32-3.85
Risk free interest rate (%)	6.41- 7.42
Volatility (%)	37.03- 39.39

The expected volatility is determined based on historical volatility.

Hexaware Technologies Limited
Notes to Financial Statements

27 Related party disclosures

Name of the Related Parties	Country
Ultimate Holding company and its Subsidiaries	
Baring Private Equity Asia GP V. LP (ultimate holding company) (control exists)	Cayman Island
The Baring Asia Private Equity Fund V, LP	Cayman Island
Baring Private Equity Asia V Mauritius Holding (4) Limited	Mauritius
Holding Company (control exists)	
HT Global IT Solutions Holdings Limited	Mauritius
Subsidiaries	
Hexaware Technologies Inc.	United States of America
Hexaware Technologies UK Ltd.	United Kingdom
Hexaware Technologies Asia Pacific Pte. Ltd.	Singapore
Hexaware Technologies GmbH.	Germany
Hexaware Technologies Canada Ltd.	Canada
FocusFrame Europe BV ^{(1) & (2)}	Netherland
Hexaware Technologies, Mexico S. De. R.L. De. C.V.	Mexico
Risk Technology International Limited	India
Hexaware Technologies DO Brazil Ltd, Brazil ⁽³⁾	Brazil
Guangzhou Hexaware Information Technologies Company Limited ⁽⁴⁾	China
Hexaware Technologies LLC ⁽⁵⁾	Russia
Hexaware Technologies Saudi LLC ⁽⁶⁾	Saudi Arabia
Hexaware Technologies Romania SRL ⁽⁷⁾	Romania
Associate	
Experis Technology Solutions Pte Ltd ⁽⁸⁾	Singapore
Key Management Personnel (KMP)	
Mr. R Srikrishna - Executive Director and CEO	

Notes:

1. Subsidiary of Hexaware Technologies Inc.
2. Closed on 31st March 2015.
3. Subsidiary of Hexaware Technologies UK Ltd
4. Formed and commenced business on 21st May, 2015.
5. Formed on 14th October 2015.
6. Received investment license, registration is under process.
7. Subsidiary of Hexaware Technologies UK Ltd, formed on 28th September 2016
8. Associate of Hexaware Technologies Asia Pacific Pte Ltd w.e.f. 16th December 2016.

Hexaware Technologies Limited
Notes to Financial Statements

Details of transactions with party wise details for transactions in excess of 10% of the total transactions			
			Rs. Million
Nature of transactions	Name of the Related party and Relationship	For the Year ended 31st December	
		2016	2015
Investment made during the year	Subsidiaries		
	Guangzhou Hexaware Information Technologies Company Limited	5.06	1.66
	Hexaware Technologies LLC - Russia	68.59	80.01
	Hexaware Technologies Saudi LLC	8.03	-
		81.68	81.67
Loan given during the year	Subsidiaries		
	Risk Technology International Limited	774.05	154.50
Software and consultancy income	Subsidiaries		
	Hexaware Technologies Inc.	6,362.66	5,596.28
	Hexaware Technologies UK Ltd.	1,010.92	715.52
	Others	533.66	642.72
		7,907.24	6,954.52
Software and development expenses - subcontracting charges	Subsidiaries		
	Hexaware Technologies Inc.	181.83	120.47
Interest income	Subsidiaries		
	Risk Technology International Limited	58.76	21.75
Reimbursement of cost to	Holding Company		
	HT Global IT Solutions Holdings Limited	-	0.23
	Subsidiaries		
	Hexaware Technologies UK Ltd.	14.09	28.20
	Hexaware Technologies Asia Pacific Pte. Ltd.	2.82	0.36
	Others	1.04	0.78
		17.95	29.57
Receiving of Services	Remuneration to KMP		
	Mr. R Srikrishna (including share based payment)	52.37	52.17
Recovery of cost from	Subsidiaries		
	Hexaware Technologies Inc.	446.75	432.52
	Hexaware Technologies UK Ltd.	248.78	176.08
	Others	33.81	38.27
		729.34	646.87

			Rs. Million
Particulars	As at 31st December		
	2016	2015	
Outstanding Balances with Subsidiaries			
Investment in equity (Including share application money)	2,094.37	2,012.69	
Receivable towards software and consultancy income	1,773.70	2,929.56	
Other receivables	218.33	270.73	
Payable towards services and reimbursement of cost	1,041.61	1,190.32	
Loan given (for general business purpose)	1,128.55	354.50	
Maximum amount outstanding during the year	1,128.55	354.50	
Payable to KMP	1.54	1.54	

Hexaware Technologies Limited
Notes to Financial Statements

28 The Company takes on lease office space and accommodation for its employees under various operating leases. The lease rentals towards operating lease agreements recognised in the Statement of Profit and Loss for the year is Rs. 188.69 million (Previous Year Rs. 134.97 million).

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

Particulars	Rs. Million	
	As at 31st December	
	2016 (Rs)	2015 (Rs)
Not later than one year	143.50	39.62
Later than one year and not later than five years	232.29	90.94
Total	375.79	130.56

29 Employee benefit plans

i) Provident Fund and Superannuation Fund

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

The interest rate payable by the Trust to the beneficiaries every year is being notified by the Government. The Company has an obligation to make good the short fall, if any, between the return from the investments of the trust and the notified interest rate. The actuary has accordingly provided a valuation and based on the fund position and assumptions mentioned below, there is no shortfall as at 31st December 2016.

Particulars	Rs. Million	
	As at 31st December	
	2016	2015
Present value of benefit obligation	2,529.28	2,178.84
Fair value of plan assets	2,529.28	2,178.84
Expected Investment Return	8.68%	8.91%
Remaining term of maturities of plan assets	6.97 years	7.41 years
Expected guaranteed interest rates	8.65%	8.75%

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

During the year, the Company has recognized expenses towards contributions to provident fund and other funds and superannuation funds of Rs. 280.85 million (Previous year Rs 261.42 million) and Rs 5.04 million (Previous year Rs.6.03 million) respectively.

Hexaware Technologies Limited
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ii) **Gratuity Plan**

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

The following table sets out the status of the gratuity plan for :

Particulars	Rs. Million	
	Year 2016	Year 2015
Change in Defined Benefit Obligation		
Opening defined benefit obligation	544.30	468.10
Current service cost	107.73	91.14
Interest cost	50.71	44.30
Actuarial losses / (gains)	5.18	(21.26)
Benefits paid	(60.37)	(37.98)
Closing defined benefit obligation	647.55	544.30
Change in the Fair Value of Assets		
Opening fair value of plan assets	415.27	319.35
Expected return on plan assets	34.87	27.11
Actuarial (losses) / gains	(2.74)	0.31
Contribution by employer	53.86	106.48
Benefits paid	(60.37)	(37.98)
Closing fair value of plan assets	440.89	415.27
Net liability as per actuarial valuation	206.66	129.03
Expense for the year		
Current service cost	107.73	91.14
Interest on defined benefit obligation	50.71	44.30
Expected return on plan assets	(34.87)	(27.11)
Actuarial losses / (gains)	7.92	(21.57)
Total Included in Employment expenses	131.49	86.76
Actual return on plan assets	32.13	27.42
Category of assets -Insurer Managed Fund #	440.89	415.27

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

The Company is expected to contribute Rs. 100.00 million to gratuity funds for the year ending 31st December, 2017 (Rs 77.00 million for year ended 31st December 2016).

Financial assumptions at the valuation date	Year 2016	Year 2015
Discount rate	6.70%	8.00%
Rate of increase in compensation levels of covered employees *	6% to 10%	6% to 10%
Expected Rate of Return on Plan assets **	8.00%	8.00%

* The estimates of future salary increases considered in actuarial valuation takes into account the inflation, seniority, promotions and other relevant factors.

** Expected rate of return on plan assets is based on expectation of the average long term rate of return expected to prevail over the estimated term of the obligation on the type of the investments assumed to be held by LIC.

Other details	Rs. Million				
	31-Dec-16	31-Dec-15	31-Dec-14	31-Dec-13	31-Dec-12
Defined Benefit Obligation	647.55	544.30	468.10	349.08	323.46
Plan Assets	440.89	415.27	319.35	282.18	197.71
Surplus / (Deficit)	(206.66)	(129.03)	(148.75)	(66.90)	(125.75)
Experience Adjustment on Plan Liabilities	(83.37)	(43.21)	(33.10)	(31.71)	(17.82)
Experience Adjustment on Plan Assets	(2.74)	0.31	1.90	4.12	1.75

Hexaware Technologies Limited

Notes to Financial Statements

- 30** "Provision others" represents provisions towards expenditure relating to employee benefit obligations on contract acquisition, the outflow for which is expected in the next year.

Rs. Million

Particulars	As at 31st December	
	2016	2015
Provision at the beginning of the year	-	34.46
Provision made during the year	90.00	3.82
Paid /adjusted during the year	(3.33)	*(38.28)
Provision at the end of the year	86.67	-

*Adjusted in employment expenses Rs Nil (Previous year Rs. 3.42 million).

- 31** **CIF value of Imports**

Rs. Million

Particulars	Year ended 31st December	
	2016	2015
Capital Goods	120.44	67.66

- 32** **Expenditure in Foreign Currency (including expenses in foreign branches)**

Rs. Million

Particulars	For Year ended 31st December	
	2016	2015
Foreign travelling expenses	51.53	64.31
Software and development expenses	393.28	380.88
Employment expenses	458.19	416.42
Rent	16.47	13.35
Business promotion, seminar and conference expenses	2.17	1.18
Legal and professional charges	44.78	33.46
Communication expenses	6.86	3.56
Other expenses	19.82	44.18

- 33** **Remittance in Foreign currency on account of dividend**

The Company has paid dividend in respect of shares held by non – residents on repatriation basis. This inter-alia includes portfolio investment and direct investment, where the amount is also credited to non- resident external account (NRE A/c). The exact amount of dividend remitted in foreign currency cannot be ascertained. The total amount remittable in foreign currency in this respect is given herein below:

Particulars	Interim - Q4-15	Interim - Q1-16	Interim - Q2-16	Interim - Q3-16
	(Interim - Q4-14)	(Interim - Q1-15)	(Interim - Q2-15)	(Interim - Q3-15)
Net amount remitted (Rs. Million)	2.85 (2.92)	2.84 (2.12)	1.81 (2.15)	1.72 (2.60)
No. of shares by non resident shareholders	1,185,236 (1,166,099)	1,136,917 (1,061,170)	1,805,955 (1,072,842)	1,716,957 (1,156,863)
Year to which dividend relates	2015 (2014)	2016 (2015)	2016 (2015)	2016 (2015)
No. of non resident shareholders	1,065 (993)	1,077 (992)	2,806 (984)	2,830 (1,030)

- 34** **Earnings in foreign currency**

Rs. Million

Particulars	For Year ended 31st December	
	2016	2015
Income from software solutions and consulting services	13,184.68	12,328.14
Interest Income	0.12	0.24

Hexaware Technologies Limited
Notes to Financial Statements

35 An amount of Rs 2.48 million towards principal and Rs Nil towards interest was outstanding to Micro and Small Enterprises as on 31st December 2016. There were no amounts of interest paid or payable during the year. This information has been determined to the extent such parties have been identified on the basis of information available with the Company.

36 Segments

As per Accounting Standard 17 on "Segment Reporting", segment information has been provided under the notes to the Consolidated Financial Statements.

37 Corporate Social Responsibility

a) Gross Amount required to be spent by the Company during the year is Rs 80.38 million (Previous year Rs 74.47 million)

b) Amount spent during the year on :

Rs. Million				
Sr.No.	Particulars	Amount Paid	Amount yet to be paid	Total
1	Construction/ acquisition of any asset	-	-	-
		(-)	(-)	(-)
2	On purpose other than (1) above	40.75	0.46	41.21
		(24.41)	(-)	(24.41)

Previous years figures given in bracket

38 Previous years figures have been regrouped/reclassified wherever necessary to correspond with the current years classification / disclosure.

For and on behalf of the board of directors

Atul K. Nishar
(Chairman)

Jimmy Mahtani
(Vice Chairman)

R. Srikrishna
(CEO & Executive Director)

Dileep Choksi
(Director)

Meera Shankar
(Director)

Bharat Shah
(Director)

Basab Pradhan
(Director)

Christian Oecking
(Director)

P. R. Chandrasekar
(Director)

Rajesh Kanani
(Chief Financial Officer)

Gunjan Methi
(Company Secretary)

Place : Mumbai

Date : 7th February, 2017