

HCL Technologies Limited and Subsidiaries

Condensed Consolidated Financial Statements

For The Three and Nine Month Periods Ended December 31, 2018 and 2017

With Review Report of Independent Auditors

HCL Technologies Limited and Subsidiaries

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Review Report of Independent Auditors

The Board of Directors
HCL Technologies Limited

We have reviewed the condensed consolidated financial information of HCL Technologies Limited and subsidiaries, which comprise the condensed consolidated balance sheet as of December 31, 2018, and the related condensed consolidated statements of income and comprehensive income for the three month and nine month periods ended December 31, 2017 and 2018 and the condensed consolidated statements of equity and cash flows for the nine month periods ended December 31, 2017 and 2018.

Management's Responsibility for the Financial Information

Management is responsible for the preparation and fair presentation of the condensed financial information in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of interim financial information in conformity with U.S. generally accepted accounting principles.

Auditor's Responsibility

Our responsibility is to conduct our review in accordance with auditing standards generally accepted in the United States applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States, the objective of which is the expression of an opinion regarding the financial information. Accordingly, we do not express such an opinion.

Conclusion

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial information referred to above for it to be in conformity with U.S. generally accepted accounting principles.

Report on Condensed Balance Sheet as of March 31, 2018

We have previously audited, in accordance with auditing standards generally accepted in the United States, the consolidated balance sheet of HCL Technologies Limited and subsidiaries as of March 31, 2018, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for year ended March 31, 2018 (not presented herein); and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 2, 2018. In our opinion, the accompanying condensed consolidated balance sheet of HCL Technologies Limited and subsidiaries as of March 31, 2018, is consistent, in all material respects, with the consolidated balance sheet from which it has been derived.

Ernst & Young Associates LLP

Gurugram, India
January 29, 2019

HCL Technologies Limited and Subsidiaries

Condensed Consolidated Balance Sheets

Amount in thousands, except share and per share data

	March 31, 2018	As of December 31, 2018 (Unaudited)
ASSETS		
Current assets		
Cash and cash equivalents	\$259,569	\$317,156
Term deposits with banks	355,707	245,307
Deposit with corporation	522,903	452,287
Accounts receivable, net	1,478,227	1,601,256
Unbilled receivable (Previous year : Unbilled revenue)	401,591	374,938
Investment securities, available for sale	361,661	346,081
Inventories	26,434	27,619
Other current assets	360,059	497,030
Total current assets	3,766,151	3,861,674
Deferred income taxes, net	274,518	336,342
Investment securities, available for sale	39,949	-
Deposit with corporation	36,055	50,855
Investments in affiliates	4,109	4,943
Other investments	2,421	6,733
Property and equipment, net	795,445	806,199
Intangible assets, net	1,131,260	1,244,660
Goodwill	1,078,830	1,322,318
Other assets	301,079	360,301
Total assets (a)	\$7,429,817	\$7,994,025

See accompanying notes.

HCL Technologies Limited and Subsidiaries
Condensed Consolidated Balance Sheets
Amount in thousands, except share and per share data

	March 31, 2018	As of December 31, 2018 (unaudited)
LIABILITIES, REDEEMABLE NON-CONTROLLING INTERESTS AND EQUITY		
Current liabilities		
Current portion of capital lease obligations	\$6,877	\$13,341
Accounts payable	277,221	288,142
Short term borrowings	6,363	107,445
Current portion of long term debt	20,246	45,127
Accrued employee costs	320,388	340,915
Contract Liabilities (Previous year : Deferred revenue)	102,990	140,048
Income taxes payable	105,733	114,349
Other current liabilities	707,490	607,528
Total current liabilities	1,547,308	1,656,895
Long term debt	40,435	404,440
Deferred income taxes, net	5,292	24,958
Capital lease obligations, net of current portion	11,538	11,318
Accrued employee costs	107,980	109,102
Contract Liabilities (Previous year : Deferred revenue)	27,641	31,553
Other liabilities	41,875	35,341
Total liabilities (a)	\$1,782,069	\$2,273,607
Commitments and contingencies (Note 20)		
Redeemable non-controlling interests	-	61,022
HCL Technologies Limited Shareholders' Equity		
Equity shares, ` 2 par value, authorized 1,500,000,000 shares		
Issued and outstanding 1,392,246,384 and 1,356,261,268 shares as of March 31, 2018 and December 31, 2018, respectively	56,715	55,743
Additional paid-in capital	412,658	413,537
Shares application money pending allotment	2	-
Retained earnings	5,757,298	6,150,508
Accumulated other comprehensive loss	(578,925)	(960,392)
Total equity	5,647,748	5,659,396
Total liabilities, redeemable non-controlling interests and equity	\$7,429,817	\$7,994,025

a) Consolidated assets at March 31, 2018 and December 31, 2018 include assets of certain variable interest entities (VIE's) that can only be used to settle the liabilities of those VIEs. Consolidated liabilities at March 31, 2018 and December 31, 2018, include liabilities of certain VIEs for which the VIEs creditors do not have recourse to HCL Technologies Limited and Subsidiaries (See Note 8).

See accompanying notes.

HCL Technologies Limited and Subsidiaries
Condensed Consolidated Statements of Income
Amount in thousands, except share and per share data

	Three months ended		Nine months ended	
	December, 31 (Unaudited)		December, 31 (Unaudited)	
	2017	2018	2017	2018
Revenues	\$1,987,540	\$2,201,473	\$5,799,724	\$6,354,638
Cost of revenues (exclusive of depreciation and amortization)	1,305,354	1,425,031	3,827,610	4,128,024
Gross profit	682,186	776,442	1,972,114	2,226,614
Selling, general and administrative expenses	222,300	267,201	668,734	747,286
Depreciation and amortization	70,559	78,654	155,047	227,175
Other (income) expenses, net	(44,129)	(21,229)	(136,477)	(107,337)
Finance cost	3,207	6,908	7,724	14,194
Income before income taxes	430,249	444,908	1,277,086	1,345,296
Provision for income taxes	89,932	78,936	261,090	266,902
Net income	340,317	365,972	1,015,996	1,078,394
Net (loss) gain attributable to redeemable non-controlling / non-controlling interest	(2)	1,972	(212)	1,972
Net income attributable to HCL Technologies Limited shareholders	\$340,319	\$364,000	\$1,016,208	\$1,076,422
Earnings per equity share				
Basic	\$0.24	\$0.27	\$0.72	\$0.78
Diluted	\$0.24	\$0.27	\$0.72	\$0.78
Weighted average number of equity shares used in computing earnings per equity share				
Basic	1,392,070,357	1,360,154,362	1,404,349,245	1,381,613,640
Diluted	1,393,040,238	1,360,664,976	1,405,319,660	1,382,124,431

See accompanying notes.

HCL Technologies Limited and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income
Amount in thousands, except share and per share data

	Three months ended		Nine months ended	
	December 31, (Unaudited)		December 31, (Unaudited)	
	2017	2018	2017	2018
Net income attributable to HCL Technologies Limited shareholders	\$340,319	\$364,000	\$1,016,208	\$1,076,422
Add : Net (loss) gain attributable to redeemable non-controlling / non-controlling interest	(\$2)	\$1,972	(\$212)	\$1,972
Other comprehensive income (loss) net of taxes:				
Change in unrealized gain (loss) on cash flow hedges, net of taxes for three month (\$1,705), (\$13,279) and nine month \$5,810, \$5,437 periods ended December 31, 2017 and 2018, respectively.	10,530	61,013	(21,520)	(22,713)
Change in unrealized gain (loss) on securities available for sale, net of taxes for three month \$806, (\$129) and nine month (\$119) , \$153 periods ended December 31, 2017 and 2018, respectively.	(1,686)	(460)	414	(1,263)
Change in unrealized (loss) gain on defined benefit plan, net of taxes for three month \$57, \$63 and nine month \$54, \$37 periods ended December 31, 2017 and 2018, respectively.	117	192	99	(139)
Change in foreign currency translation	83,603	105,010	116,456	(357,352)
Other comprehensive income (loss)	92,564	165,755	95,449	(381,467)
Add: Comprehensive income (loss) attributable to non-controlling interest	257	-	2,223	-
Total comprehensive income	\$433,138	\$531,727	\$1,113,668	\$696,927

See accompanying notes.

HCL Technologies Limited and Subsidiaries
Condensed Consolidated Statements of Equity
Amount in thousands, except share and per share data

	<u>Equity shares</u>				Retained earnings	Accumulated other comprehensive loss	HCL Technologies Limited Shareholder' Equity	Non-Controlling Interest	Total Equity
	Shares	Par Value	Additional paid-in capital	Ordinary shares subscribed					
Balances as at March 31, 2017	1,426,783,424	\$57,791	\$916,514	\$5	\$4,753,262	(\$591,796)	\$5,135,776	\$26,659	\$5,162,435
Shares issued for exercised options	341,040	11	-	(5)	-	-	6	-	6
Buyback of equity shares	(35,000,000)	(1,090)	(504,853)	-	(39,214)	-	(545,157)	-	(545,157)
Expenses on buyback of equity shares	-	-	-	-	(2,193)	-	(2,193)	-	(2,193)
Stock options exercised pending allotment of shares	-	-	-	2	-	-	2	-	2
Excess tax benefit from stock options	-	-	558	-	-	-	558	-	558
Change in non-controlling interest	-	-	-	-	-	-	-	(28,230)	(28,230)
Cash dividend	-	-	-	-	(263,294)	-	(263,294)	-	(263,294)
Net income	-	-	-	-	1,016,208	-	1,016,208	(212)	1,015,996
Other comprehensive income (loss)	-	-	-	-	-	95,449	95,449	2,223	97,672
Balances as at December 31, 2017	1,392,124,464	\$56,712	\$412,219	\$2	\$5,464,769	(\$496,347)	\$5,437,355	\$440	\$5,437,795

HCL Technologies Limited and Subsidiaries
Condensed Consolidated Statements of Equity
Amount in thousands, except share and per share data

	Equity shares			Retained earnings			Accumulated other comprehensive loss	Total Equity	Redeemable Non-Controlling Interest
	Shares	Par Value	Additional paid-in capital	Ordinary shares subscribed	Other unappropriated reserves	SEZ reinvestment reserve*			
Balances as at March 31, 2018	1,392,246,384	\$56,715	\$412,658	\$2	\$5,709,736	\$47,562	(\$578,925)	\$5,647,748	\$-
Shares issued for exercised options	378,520	11	-	(2)	-	-	-	9	-
Buyback of equity shares	(36,363,636)	(983)	(331)	-	(539,565)	-	-	(540,879)	-
Expenses on buyback of equity shares	-	-	-	-	(1,603)	-	-	(1,603)	-
Excess tax benefit from stock options	-	-	1,210	-	-	-	-	1,210	-
Change in redeemable non-controlling interest	-	-	-	-	-	-	-	-	59,050
Cash dividend	-	-	-	-	(142,044)	-	-	(142,044)	-
Transfer to special economic zone (SEZ) reinvestment reserve *	-	-	-	-	(54,881)	54,881	-	-	-
Transfer from special economic zone (SEZ) reinvestment reserve *	-	-	-	-	35,991	(35,991)	-	-	-
Net income	-	-	-	-	1,076,422	-	-	1,076,422	1,972
Other comprehensive income (loss)	-	-	-	-	-	-	(381,467)	(381,467)	-
Balances as at December 31, 2018	1,356,261,268	\$55,743	\$413,537	\$-	\$6,084,056	\$66,452	(\$960,392)	\$5,659,396	\$61,022

* The Company has created SEZ Reinvestment Reserve out of profits of the eligible SEZ Units in terms of the specific provisions of Section 10AA(1) of the Income Tax Act, 1961 ("the Act"). The said reserve should be utilized by the Company for acquiring Plant and Machinery in terms of Section 10AA(2) of the Act.

See accompanying notes.

HCL Technologies Limited and Subsidiaries
Condensed Consolidated Statements of Cash Flows
Amount in thousands

	Nine months ended December 31, (Unaudited)	
	2017	2018
Cash flows from operating activities		
Net income	\$1,015,996	\$1,078,394
<i>Adjustments to reconcile net income to net cash provided by operating activities</i>		
Depreciation and amortization	155,047	227,175
Deferred income taxes	(8,881)	(73,661)
Gain on sale of property and equipment	(364)	(414)
Excess tax benefit related to stock options exercise	(560)	(1,209)
Gain on sale of investment securities	(18,317)	(19,980)
Equity in (earnings) loss of affiliates	(2,053)	(515)
Provision for doubtful accounts, net	7,351	7,448
Others, net	15,256	(6,778)
Changes in assets and liabilities, net of effects of acquisitions		
Accounts receivable and unbilled receivable	(127,486)	(124,706)
Other assets	(15,050)	(207,171)
Accounts payable	31,480	50,829
Accrued employee costs	(12,631)	30,495
Other liabilities	(117,843)	(28,981)
Net cash provided by operating activities	921,945	930,926
Cash flows from investing activities		
Investment in term deposit with banks	(349,812)	(235,000)
Proceeds from term deposit with banks on maturity	1,069,214	321,551
Investment in term deposits with corporation	(230,517)	(164,906)
Proceeds from term deposits with corporation on maturity	120,892	183,604
Purchase of property and equipment and intangibles	(736,557)	(398,938)
Proceeds from sale of property and equipment	1,588	4,015
Purchase of investment securities	(2,133,047)	(2,764,873)
Proceeds from sale of investment securities	2,183,233	2,812,196
Purchase of other Investments	-	(4,641)
Acquisition of business, net of cash acquired	(16,736)	(403,905)
Investment in equity method investee	(240)	(320)
Net cash in deconsolidated subsidiaries	(22,375)	-
Net cash used in investing activities	(114,357)	(651,217)
Cash flows from financing activities		
Increase of principal under capital lease obligations, net	3,261	693
Proceeds from short term borrowings	-	203,855
Repayment of short term borrowings	(1,891)	(100,000)
Proceeds from long term debt	3,014	409,298
Repayment of long term debt	(15,850)	(14,229)
Buyback of equity shares	(543,156)	(540,020)
Expenses on buyback of equity shares	(2,213)	(1,684)
Payment for deferred consideration on business acquisition	(2,465)	(3,149)
Capital contribution from redeemable non-controlling interests	-	41,000
Proceeds from issuance of equity shares	3	8
Proceeds from subscription of shares pending allotment	2	-
Dividend paid	(263,216)	(142,035)
Excess tax benefit related to stock options exercise	560	1,209
Net cash used in financing activities	(821,951)	(145,054)
Effect of exchange rate changes on cash and cash equivalents	19,642	(77,068)
Net increase in cash and cash equivalents	5,279	57,587
Cash and cash equivalents at the beginning of the period	202,917	259,569
Cash and cash equivalents at the end of the period	\$208,196	\$317,156

See accompanying notes.

HCL Technologies Limited and Subsidiaries
Notes to Condensed Consolidated Financial Statements
December 31, 2018
(Unaudited)

(Amount in thousands, except per share data and as stated otherwise)

1. ORGANIZATION AND NATURE OF OPERATIONS

HCL Technologies Limited (the "Company" or the "Parent Company") along with its subsidiaries (hereinafter collectively referred to as the "Group") is primarily engaged in providing a range of software development services, business process outsourcing services and IT infrastructure services. The Company was incorporated in India in November 1991. The Group leverages its offshore infrastructure and professionals to deliver solutions across select verticals including financial services, manufacturing (automotive, aerospace, Hi-tech, semi conductors), lifesciences & healthcare, public services (oil and gas, energy and utility, travel, transport and logistics), retail and consumer products, telecom, media, publishing and entertainment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation and principles of consolidation

The accompanying unaudited condensed consolidated financial statements include the accounts of HCL Technologies Limited and its subsidiaries and are prepared on the basis of US generally accepted accounting principles ("US GAAP") for interim financial reporting to reflect the financial position and results of operations of the Group. Certain information and disclosures normally included in consolidated financial statements prepared in accordance with US GAAP have been condensed or omitted. Accordingly, these unaudited interim condensed financial statements should be read in conjunction with the Group's historical annual consolidated financial statements and accompanying notes. The unaudited interim condensed consolidated financial statements reflect all adjustments (of a normal and recurring nature) which the management considers necessary for a fair presentation of such statements for these periods. The results for the interim periods presented are not necessarily indicative of the results that may be expected for the full year or for any subsequent period.

The accompanying balance sheet as of March 31, 2018 is derived from audited financial statements but does not include all of the financial information and footnotes required by US GAAP for complete financial statements.

The Group uses the United States Dollar ('\$' or 'USD') as its reporting currency.

These unaudited condensed consolidated financial statements include the accounts of all subsidiaries which are more than 50% owned and controlled by the Company. In addition, relationships with other entities are reviewed to assess if the Company is the primary beneficiary in any variable interest entity. If it is determined that the Company is the primary beneficiary, then that entity is consolidated. All intercompany accounts and transactions are eliminated on consolidation. Non controlling interest represents the non controlling partner's interest in the proportionate share of net assets and results of operations of the Company's majority owned subsidiaries and non-controlling interest in subsidiaries that is redeemable outside of the Company's control for cash or other assets is reflected in the mezzanine section between liabilities and equity in the condensed consolidated balance sheets at the redeemable value, which approximates fair value. Redeemable non-controlling interest is adjusted to its fair value at each balance sheet date. Any resulting increases or decreases in the estimated redemption amount are affected by corresponding charges to retained earnings. Cumulative dividend payable on preference shares is reflected in net loss (gain) attributable to redeemable non-controlling interest in the condensed consolidated statements of income.

Issuance of shares by a subsidiary to third parties reduces the proportionate ownership interest of the Company in the subsidiary. A change in the carrying value of the investment in such subsidiary due to direct sale of un-issued equity shares is accounted for as a capital transaction and is recognized in equity when the transaction occurs.

The Group accounts for investments by the equity method where its investment in the voting stock gives it the ability to exercise significant influence over the affiliate. In the case of investments in Limited Liability Partnerships (LLPs), significant influence is presumed to exist where the Company has more than a 5% partnership interest. The excess of the cost over the underlying net equity of investments in affiliates is allocated to identifiable assets based on the fair value at the date of acquisition. The unassigned residual value of the excess of the cost over the underlying net equity is recognized as goodwill.

HCL Technologies Limited and Subsidiaries
Notes to Condensed Consolidated Financial Statements
December 31, 2018
(Unaudited)

(Amount in thousands, except per share data and as stated otherwise)

The Group's equity in the profits (losses) of affiliates is included in the condensed consolidated statements of income unless the carrying amount of an investment is reduced to zero and the Group is under no guaranteed obligation or otherwise committed to provide further financial support. The Group's share of net assets of affiliates is included in the carrying amount of the investment in the condensed consolidated balance sheet.

(b) Use of estimates

The preparation of financial statements in conformity with US GAAP requires the management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs, expenses and other comprehensive income that are reported and disclosed in the condensed consolidated financial statements and accompanying notes. These estimates are based on the management's best knowledge of current events, historical experience, actions that the Group may undertake in the future and on various other assumptions that are believed to be reasonable under the circumstances. Significant estimates and assumptions are used, but not limited to accounting for costs expected to be incurred to complete performance under IT service arrangements, allowance for uncollectible accounts receivables and unbilled receivable, accrual of warranty costs, income taxes, valuation of share-based compensation, future obligations under employee benefit plans and performance incentives, the useful lives of property, equipment and intangible assets, impairment of property, equipment, intangibles and goodwill, estimates used to determine the fair value of assets acquired, including intangible assets and goodwill, and liabilities assumed in business combinations, valuation allowances for deferred tax assets, and other contingencies and commitments. Changes in estimates are reflected in the financial statements in the period in which the changes are made. Actual results could differ from those estimates.

(c) Functional currency and translation

The functional currency of each entity in the Group is its respective local currency except for seven subsidiaries outside India. The functional currency of the Company is INR. The translation from functional currency into USD (the reporting currency) for assets and liabilities is performed using the exchange rates in effect at the balance sheet date, and for revenue, expenses and cash flows is performed using an appropriate daily weighted average exchange rate for the respective periods. The gains (losses) resulting from such translation are reported as a component of 'other comprehensive income (loss)'.

Foreign currency denominated monetary assets and liabilities are re-measured into the functional currency at exchange rates in effect at the balance sheet date. Foreign currency transaction gains and losses are recorded in the condensed consolidated statement of income within 'other income'. Any difference in intercompany balance arising because of elimination of intercompany transaction is recorded in 'other comprehensive income (loss)'.

(d) Revenue recognition

Adoption of new accounting principles

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers" (Topic 606). This standard replaces existing revenue recognition guidance with a comprehensive revenue measurement and recognition standard and expanded disclosure requirements.

The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This model involves a five-step process for achieving that core principle, along with comprehensive disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has pre adopted the new standard as of April 1, 2018 using the modified retrospective transition method. The standard is applied retrospectively only to contracts that are not completed as at the date of Initial application and the comparative information is not restated in the condensed consolidated financial statements. The adoption of the standard did not have any material impact on the condensed consolidated financial statements of the Group.

HCL Technologies Limited and Subsidiaries
Notes to Condensed Consolidated Financial Statements
December 31, 2018
(Unaudited)

(Amount in thousands, except per share data and as stated otherwise)

Contracts involving provision of services and material

Revenue is recognized when, or as, control of a promised service or good transfers to a client, in an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring those products or services. To recognize revenues, the following five step approach is applied: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenues when a performance obligation is satisfied. Contract is accounted when it is legally enforceable through executory contracts, approval and commitment from all parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable

Time-and-material/Volume based/ Transaction based contracts

Revenue with respect to time-and-material, volume based and transaction based contracts is recognized as the related services are performed through efforts expended, volume serviced, transactions processed etc. that correspond with value transferred to customer till date which is related to our right to invoice for services performed for contracts, in accordance with the practical expedient in ASC 606-10-55-18

Fixed Price contracts

Revenue related to Fixed price contracts where performance obligations and control are satisfied over a period of time like technology integration, complex network building contracts, ERP implementations and Application development is recognized based on progress towards completion of the performance obligation using a cost-to-cost measure of progress (i.e., percentage-of-completion (POC) method of accounting). Revenue is recognized based on the costs incurred to date as a percentage of the total estimated costs to fulfill the contract. Any revision in cost to complete would result in increase or decrease in revenue and such changes are recorded in the period in which they are identified. Provisions for estimated losses, if any, on contracts-in-progress are recorded in the period in which such losses become probable based on the current contract estimates. Contract losses are determined to be the amount by which the estimated total cost to complete exceeds the estimated total revenues that will be generated by the contract and are included in Cost of revenues and classified in Other accrued liabilities.

Revenue related to other fixed price contracts providing maintenance and support 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, in accordance with the practical expedient in ASC 606-10-55-18. If invoicing is not consistent with value delivered, revenues are recognized as the service is performed based on the cost to cost method described above.

In arrangements involving sharing of customer revenues, revenue is recognized when the right to receive is established. Incremental revenue from existing contracts arising on future sales to the customers is recognized when it is earned and collectability is reasonably assured.

Revenue from product sales are shown net of sales tax and applicable discounts and allowances. Revenue related to product with installation services that are critical to the product is recognized when installation of product at customer site is completed and accepted by the customer. If the revenue for a delivered item is not recognized for non-receipt of acceptance from the customer, the cost of the delivered item continues to be in inventory.

Multiple-performance obligation

When a sales arrangement contains multiple performance, such as services, hardware and Licensed IPs (software) or combinations of each of them revenue for each element is based on a five step approach as defined above. To the extent a contract includes multiple promised deliverables, judgment is applied to determine whether promised deliverables are capable of being distinct and are distinct in the context of the contract. If these criteria are not met, the promised deliverables are accounted for as a combined performance obligation. For arrangements with multiple distinct performance obligations or series of distinct performance obligations, consideration is allocated among the performance obligations based on

HCL Technologies Limited and Subsidiaries
Notes to Condensed Consolidated Financial Statements
December 31, 2018
(Unaudited)

(Amount in thousands, except per share data and as stated otherwise)

their relative standalone selling price. Standalone selling price is the price at which group would sell a promised good or service separately to the customer. When not directly observable, we typically estimate standalone selling price by using the expected cost plus a margin approach. We typically establish a standalone selling price range for our deliverables, which is reassessed on a periodic basis or when facts and circumstances change. If the arrangement contains obligations related to License of Intellectual property (Software) or Lease deliverable, the arrangement consideration allocated to the Software deliverables, lease deliverable as a group is then allocated to each software obligation and lease deliverable using the guidance for recognizing Software revenue (ASC 606-10-55) and the lease revenue, as amended.

Revenue recognition for delivered elements is limited to the amount that is not contingent on the future delivery of products or services, future performance obligations or subject to customer-specified return or refund privileges.

Revenue from certain activities in transition services in outsourcing arrangements are not capable of being distinct or represent separate performance obligation. Revenues relating to such transition activities are classified as Contract liabilities and subsequently recognized over the period of the arrangement. Direct and incremental costs in relation to such transition activities are considered as fulfillment cost which are directly related to contract and result in generation or enhancement of resources and are expected to be recoverable under the contract and thereby these contract fulfillment assets classified as Deferred contract cost and recognized over the period of arrangement. Certain upfront non-recurring incremental contract acquisition costs incurred in the initial phases of outsourcing contracts are deferred and recorded as Deferred contract cost and amortized, usually on a straight line basis, over the term of the contract unless revenues are earned and obligations are fulfilled in a different pattern. The undiscounted future cash flows from the arrangement are periodically estimated and compared with the unamortized costs. If the unamortized costs exceed the undiscounted cash flow, a loss is recognized.

In instances when revenue is derived from sales of third-party vendor services, material or licenses, revenue is recorded on a gross basis when the Group is a principal to the transaction and net of costs when the Group is acting as an agent between the customer and the vendor. Several factors are considered to determine whether the Group is a principal or an agent, most notably being group control the goods or service before it is transferred to customer, latitude in deciding the price being charged to customer. Revenue is recognized net of discounts and allowances, value-added and service taxes, and includes reimbursement of out-of-pocket expenses, with the corresponding out-of-pocket expenses included in cost of revenues.

Incentive revenues, volume discounts, or any other form of variable consideration is estimated using either the sum of probability weighted amounts in a range of possible consideration amounts (expected value), or the single most likely amount in a range of possible consideration amounts (most likely amount), depending on which method better predicts the amount of consideration realizable. Transaction price includes variable consideration only to the extent it is probable that a significant reversal of revenues recognized will not occur when the uncertainty associated with the variable consideration is resolved. Our estimates of variable consideration and determination of whether to include estimated amounts in the transaction price may involve judgment and are based largely on an assessment of our anticipated performance and all information that is reasonably available to us.

Revenue recognized but not billed to customers is classified either as Contract assets or Unbilled receivable in our consolidated statements of financial position, Contract assets primarily relate to unbilled amounts on those contracts utilizing the cost to cost method of revenue recognition. Unbilled receivable represents contracts where right to consideration is unconditional (i.e. only the passage of time is required before the payment is due).

Revenue from sales-type leases is recognized when risk of loss has been transferred to the client and there are no unfulfilled obligations that affect the final acceptance of the arrangement by the client. Revenue from operating leases is accounted on a straight-line basis as service revenue over the rental period. Interest attributable to sales-type leases and direct financing leases included therein is recognized on an accrual basis using the effective interest method.

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(e) Inventories

Inventories represent items of finished goods that are specific to execute composite contracts of software services and IT infrastructure management services and also include finished goods which are interchangeable and not specific to any project. Inventory is carried at the lower of cost or net realizable value. The net realizable value is determined with reference to selling price of goods less the estimated cost necessary to make the sale. Cost of goods that are procured for specific projects is assigned by specific identification of their individual costs. Cost of goods which are interchangeable and not specific to any project is determined using weighted average cost formula. Inventories also include goods held by customer care department at customer's site for which risk and rewards have not been transferred to customers.

(f) Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation which is computed using the straight-line method over the estimated useful lives of the assets, which are as follows:

<u>Asset description</u>	<u>Asset life (in years)</u>
Buildings	20
Computer and networking equipment	4 to 5
Software	3
Furniture, fixtures and office equipment	5 to 7
Plant and equipment	10
Vehicles	5

Assets acquired under capital leases are capitalized as assets by the Group at the lower of the fair value of the leased property or the present value of the related lease payments. Assets under capital leases are depreciated over the shorter of the lease term or the estimated useful lives of the assets. Leasehold improvements are amortized on a straight-line basis over the shorter of the lease period or the estimated useful life of the asset. The cost of software obtained for internal use is capitalized and amortized over the estimated useful life of the software.

Advances paid towards the acquisition of property and equipment and cost of property and equipment not put to use before the balance sheet date are classified as capital work-in-progress (Note 6).

(g) Leases

Property and equipment taken on lease are evaluated to determine whether they are capital or operating leases in accordance with Financial Accounting Standard Board's (FASB) guidance under ASC 840, 'Accounting For Leases'.

When substantially all the risks and rewards of property ownership have been transferred to the Group, as determined by the test criteria in FASB's guidance under ASC 840, the lease qualifies as a capital lease. Capital leases are capitalized at the lower of the net present value of the total amount of rent payable under the leasing agreement (excluding finance charges) or the fair market value of the leased asset. Capital lease assets are depreciated on a straight-line basis, over a period consistent with the Group's normal depreciation policy for tangible fixed assets, but not exceeding the lease term. Interest charges are expensed over the period of the lease in relation to the carrying value of the capital lease obligation.

Operating lease income and expense is recognized on a straight-line basis over the term of the lease.

The Group also provides certain equipment to its customers in certain infrastructure arrangements. Such arrangements are evaluated under ASC 840-10-15, "Determine Whether an Arrangement Contains a Lease", to determine whether they contain embedded leases and upon the satisfaction of the test, FASB guidance given in ASC 840-10 on Leases is applied for determining the classification of the lease.

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(h) Impairment of long-lived assets and long-lived assets to be disposed off

In accordance with the provisions of ASC Topic 360, "Accounting for Impairment or Disposal of Long Lived Assets", long-lived assets, other than goodwill, are tested for impairment whenever event or changes in circumstances indicates that their carrying amounts may not be recoverable are tested for impairment based on undiscounted cash flows and, if impaired, written down to fair value.

(i) Investment securities

Investment securities consist of available-for-sale debt securities and other investments.

Available-for-sale securities having a readily determinable fair value are carried at fair value based on quoted market prices. Temporary unrealized gains and losses, net of the related tax effect are excluded from income and are reported as a separate component of 'other comprehensive income (loss)', until realized. Realized gains and losses from the sale of available-for-sale securities are determined on a first-in-first-out method and are included in earnings.

Other investments for which sufficient, more recent, information to measure fair value are not available are measured at cost.

For individual securities classified as available-for-sale, the Group determines whether a decline in fair value below the carrying value is other than temporary. If it is probable that the Group will be unable to collect all amounts due according to the contractual terms of a debt security, an other-than-temporary impairment is considered to have occurred. If the decline in fair value is judged to be other than temporary, the cost basis of the individual security is written down to its fair value representing the new cost basis and the amount of the write-down is included in earnings ,i.e., accounted for as a realized loss.

(j) Research and development

Research and development cost are expensed as incurred. Costs that are incurred to produce the finished product after technological feasibility has been established are capitalised as an intangible asset. Expenditure incurred on equipment and facilities acquired or constructed for research and development activities and having alternative future uses is capitalized as property and equipment.

(k) Cash equivalents, deposits with banks and restricted cash

The Group considers all highly liquid investments with an original maturity of three months or less, at the date of purchase/investment, to be cash equivalents. Restricted cash represents margin money deposits against guarantees, letters of credit and bank balance earmarked towards unclaimed dividend. Restrictions on margin money deposits are released on the expiry of the term of guarantees and letters of credit.

Term deposits with banks and corporations represent term deposits earning fixed rate of interest with maturities ranging from more than three months to twenty four months at the date of purchase/investment. Interest on term deposits with banks and corporations is recognized on an accrual basis.

(l) Income taxes

Income taxes are accounted for using the asset and liability method. Under this method, deferred income taxes are recorded to reflect the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each balance sheet date, based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. If it is determined that it is more likely than not that future tax benefits associated with a deferred income tax asset will not be realized, a valuation allowance is provided. The effect on deferred income tax assets and liabilities due to change in the tax rates is recognized in income in the period that includes the enactment date. Tax benefits earned on exercise of employee stock options in excess of compensation charged to income are credited to additional paid-in capital. Provision for income taxes also includes the impact of provisions established for uncertain income tax positions, as well as the related interest and penalties.

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(m) Earnings per share

Basic earnings per share are computed using the weighted average number of equity shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of equity and dilutive equity equivalent shares outstanding during the period, using the treasury stock method for options and reverse treasury stock method for buy back, except where results would be anti-dilutive.

(n) Stock based compensation

Stock-based compensation represents the cost related to stock-based awards granted to employees. The Company measures stock-based compensation cost at grant date, based on the estimated fair value of the award and recognizes the cost on a straight line basis (net of estimated forfeitures) over the employee's requisite service period for an award with only service condition and for an award with both service and performance condition on a straight line basis over the requisite service period for each separately vesting portion of the award, as if award was in substance, multiple awards. The Company estimates the fair value of stock options using the Black-Scholes valuation model. The cost is recorded in cost of revenue and selling, general and administrative expenses in the condensed consolidated statement of income based on the employees' respective function.

The Company has elected to use the "with and without" method in determining the order in which tax attributes are utilized. As a result, the Company only recognizes tax benefit from share-based awards in additional paid-in capital if an incremental tax benefit is realized after all other tax attributes currently available to the Company have been utilized.

(o) Employee benefits

Defined contribution plan

Contribution to defined contribution plans is recognised as expense when employees have rendered services entitling them to such benefits.

Defined benefit plan

Provident fund:

Employees in India receive benefits from a provident fund. The employee and employer each make monthly contributions to the plan. A portion of the contribution is made to the provident fund trust managed by the Group; while the balance contribution is made to the Government administered Pension fund. The Group has an obligation to fund any shortfall on the yield of the Trust's investments over the administered interest rates.

Gratuity:

Employees in India are entitled to benefits under the Gratuity Act, a defined benefit retirement plan covering eligible employees of the Group. This plan provides for a lump-sum payment to eligible employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and tenure of employment (subject to a maximum amount as prescribed under the Gratuity Act). The Group accounts for liability based on actuarial valuation using the projected unit credit method at the end of each year. The Group has unfunded gratuity obligations except in respect to certain employees in India, where the Group contributes towards gratuity liabilities to the Gratuity Fund Trust, which invest the contributions in a scheme with the Life Insurance Corporation of India as permitted by law.

Compensated absences:

The employees of the Group are entitled to compensated absences. The employees can carry forward up to the specified portion of the unutilized accumulated compensated absences and utilize it in future periods or receive cash at retirement or termination of employment. The Group records an obligation for compensated absences in the period in which the employee renders the services that increases this entitlement. The Group measures the expected cost of compensated absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period. The Group recognizes accumulated compensated absences based on actuarial

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valuation. Non-accumulating compensated absences are recognized in the period in which the absences occur. The Group recognizes actuarial gains and losses immediately in the statement of income.

(p) Dividend

Final dividend proposed by the Board of Directors is recognized upon approval by the shareholders who have the right to decrease but not increase the amount of dividend recommended by the Board of Directors. Interim dividends are recognized on declaration by the Board.

(q) Derivative and hedge accounting

Foreign exchange forward contracts and options are purchased to mitigate the risk of changes in foreign exchange rates associated with forecast transactions denominated in certain foreign currencies. In accordance with FASB guidance ASC 815, "Accounting for Derivative Instruments and Hedging Activities", the Group recognizes all derivatives as assets or liabilities measured at their fair value, regardless of the purpose or intent of holding them. Changes in fair value for derivatives not designated in a hedge accounting relationship are marked to market at each reporting date and the related gains (losses) are recognized in the condensed consolidated statement of income as 'foreign exchange gains (losses)'.

The foreign exchange forward contracts and options in respect of forecasted transactions which meet the hedging criteria are designated as cash flow hedges. Changes in the derivative fair values that are designated as effective cash flow hedges are deferred and recorded as component of accumulated 'other comprehensive income (loss)' until the hedged transaction occurs and are then recognized as 'other income' in the condensed consolidated statement of income. The ineffective portion of hedging derivatives is immediately recognized in the condensed consolidated statement of income as part of 'other income'.

In respect of derivatives designated as hedges, the Group contemporaneously and formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also formally assesses both at the inception of the hedge and on an ongoing basis, whether each derivative is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Hedge accounting is discontinued prospectively from the last testing date when (1) it is determined that the derivative financial instrument is no longer effective in offsetting changes in the fair value or cash flows of the underlying exposure being hedged; (2) the derivative financial instrument matures or is sold, terminated or exercised; or (3) it is determined that designating the derivative financial instrument as a hedge is no longer appropriate. When hedge accounting is discontinued the deferred gains or losses on the cash flow hedge remain in 'other comprehensive income (loss)' until the forecast transaction occurs. Any further change in the fair value of the derivative financial instrument is recognized in current period earnings.

See Note 10 for additional information.

(r) Goodwill and intangibles

Goodwill represents the excess of the purchase price in a business combination over the fair value of net tangible and intangible assets acquired. Goodwill is not amortized but is reviewed for impairment annually or more frequently if indicators arise. Goodwill is tested annually on March 31, for impairment, or sooner when circumstances indicate impairment may exist, using a fair-value approach at the reporting unit level. A reporting unit is the operating segment, or a business, which is one level below that operating segment (the "component" level) if discrete financial information is prepared and regularly reviewed by the management at that level. Components are aggregated as a single reporting unit if they have similar economic characteristics. In accordance with ASC topic 350, "Intangibles - Goodwill and Other", all assets and liabilities of the acquired businesses including goodwill are assigned to reporting units. The evaluation is based upon a comparison of the estimated fair value of the reporting unit to which the goodwill has been assigned with the sum of the carrying value of the assets and liabilities for that reporting unit. The fair value used in this evaluation is estimated based upon discounted future cash flow projections for the reporting unit. These cash flow projections are based upon a number of estimates and assumptions.

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Intangible assets are initially valued at fair market value using generally accepted valuation methods appropriate for the type of intangible asset. Certain Licensed IPRs which include the right to modify, enhance or exploit are amortised in proportion to the expected benefits over the useful life which could range up to 15 years. Intangible assets with definite lives are amortized over the estimated useful lives and are reviewed for impairment, if indicators of impairment arise. The evaluation of impairment is based upon a comparison of the carrying amount of the intangible asset with the estimated future undiscounted net cash flows expected to be generated by the asset. If estimated future undiscounted cash flows are less than the carrying amount of the asset, the asset is considered impaired. The impairment expense is determined by comparing the estimated fair value of the intangible asset to its carrying value, with any shortfall from fair value recognized as an expense in the current period. The intangible assets with definite lives are amortized over the estimated useful lives of the assets as under:

<u>Asset description</u>	<u>Asset life (in years)</u>
Customer relationships	1 to 11
Customer contracts	0.5 to 10
Technology	2.5 to 15
Licensed IPRs	5 to 15
Assembled workforce	5
Non-compete agreements	3 to 5
Intellectual property rights	4 to 6
Brand and others	2 to 5

(t) Recently issued accounting pronouncements

In January 2016, the FASB issued Accounting Standards Update No. 2016-01 (ASU 2016-01) "Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities." This guidance makes targeted improvements to existing US GAAP for financial instruments, including requiring equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income; requiring entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes; requiring separate presentation of financial assets and financial liabilities by measurement category and form of financial asset and requiring entities to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk (also referred to as "own credit") when the organization has elected to measure the liability at fair value in accordance with the fair value option. ASU 2016-01 is effective for the year ended March 31, 2020. Early adoption of the own credit provision is permitted. The Group is currently evaluating the impact that the adoption of this standard will have on its consolidated financial statements.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02 (ASU 2016-02) "Leases (Topic 842)". ASU 2016-02 requires the identification of arrangements that should be accounted for as leases by Lessees. In general, lease arrangements exceeding a twelve month term, must now be recognized as assets and liabilities on the balance sheet of the lessee. Under ASU No. 2016-02, a right-of-use asset and lease obligation will be recorded for all leases, whether operating or financing, while the income statement will reflect lease expense for operating leases and amortization/interest expense for financing leases. The balance sheet amount recorded for existing leases at the date of adoption of ASU No. 2016-02 must be calculated using the applicable incremental borrowing rate at the date of adoption. In addition, ASU No. 2016-02 requires the use of the modified retrospective method, which will require adjustment to all comparative periods presented in the consolidated financial statements. The new standard is effective for the year ended March 31, 2021, including interim periods beginning after those annual years. The Group is currently evaluating the impact that the adoption of this new standard will have on its consolidated financial statements and the implementation approach to be used.

In March 2016, the FASB issued Accounting Standards Update No. 2016-05 (ASU 2016-05) "Derivatives and Hedging - Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships". The term novation, as it relates to derivative instruments, refers to replacing one of the parties to a derivative instrument with a new party. The amendments in this guidance clarify that a change in the counterparty to

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a derivative instrument that has been designated as the hedging instrument under Topic 815 does not, in and of itself, require dedesignation of that hedging relationship provided that all other hedge accounting criteria continue to be met. The amendments in this guidance are effective for financial statements issued for the year ended March 31, 2019 and interim periods beginning after December 15, 2018. An entity has the option to apply ASU 2016-05 on either a prospective basis or a modified retrospective basis. Early adoption is permitted. The Group is currently in the process of evaluating the impact that adoption of this standard will have on its consolidated financial statements.

In March 2016, the FASB issued Accounting Standards Update No. 2016-09 (ASU 2016-09) "Compensation—Stock Compensation (Topic 718)" as part of its Simplification Initiative. ASU 2016-09 identifies areas for simplifying several aspects of the accounting for share-based payment transactions, including income tax consequences, classification of awards as either equity or liabilities, an option to recognize gross stock compensation expense with actual forfeitures recognized as they occur, *as well as certain classifications on the statement of cash flows*. The amendments are effective for the year ended March 31, 2019 and interim periods beginning after December 15, 2018. Early adoption is permitted but all of the guidance must be adopted in the same period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the annual year that includes that interim period. The Group is currently in the process of evaluating the impact that the adoption of this standard will have on its consolidated financial statements.

In June 2016, the FASB issued Accounting Standards Update No. 2016-13 (ASU 2016-13) "Financial Instruments—Credit Losses" which require a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is to be deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset. The amendments are effective for the year ended March 31, 2023, including interim periods within those fiscal years. The Group is currently in the process of evaluating the impact that adoption of this standard will have on its consolidated financial statements.

In August 2016, the FASB issued Accounting Standards Update No. 2016-15 (ASU 2016-15) "Classification of Certain Cash Receipts and Cash Payments" The amendments in this Update apply to all entities that are required to present a statement of cash flows under Topic 230. The amendments are an improvement to GAAP because they provide guidance for each of the eight issues, thereby reducing the current and potential future diversity in practice. The amendments in this Update are effective for the year ended March 31, 2020. The amendments in this Update should be applied using a retrospective transition method to each period presented. If it is impracticable to apply the amendments retrospectively for some of the issues, the amendments for those issues would be applied prospectively as of the earliest date practicable. The Group is currently in the process of evaluating the impact that adoption of this standard will have on its consolidated financial statements.

In October 2016, the FASB issued Accounting Standards Update No. 2016-16 (ASU 2016-16) "Intra-Entity Transfers of Assets Other Than Inventory". Current GAAP prohibits the recognition of current and deferred income taxes for intra-entity asset transfers until the asset has been sold to an outside party. The amendments in this Update eliminate this prohibition for intra-entity transfer of assets other than inventory but retain the prohibition for intra-entity transfer of inventory. Consequently, an entity is required to recognize the current and deferred income taxes resulting from an intra-entity transfer of assets other than inventory when the transfer occurs. The amendments in this Update are effective for the year ended March 31, 2020. The amendments in this Update should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The Group is currently in the process of evaluating the impact that adoption of this standard will have on its consolidated financial statements.

In November 2016, the FASB issued Accounting Standards Update No. 2016-18 (ASU 2016-18) "Restricted Cash - Statement of Cash Flows (Topic 230)". Diversity exists in the classification and presentation of changes in restricted cash on the statement of cash flows. This Update requires that the amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this Update are effective for the year ended March 31, 2020. Early adoption is permitted and any adjustments should be reflected as of the beginning

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starting first quarter of that year. The amendments in this Update should be applied using a retrospective transition method to each period presented. The Group is currently in the process of evaluating the impact that adoption of this standard will have on its consolidated financial statements.

In January 2017, the FASB issued Accounting Standards Update No. 2017-01 (ASU 2017-01), “Business Combinations - Clarifying the Definition of a Business ((Topic 805)”, which clarifies the definition of a business with the objective of adding guidance and providing a more robust framework to assist reporting organizations with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The amendments in this Update are effective for the year ended March 31, 2020 including interim periods beginning after those annual years. The amendments in this Update should be applied prospectively on or after the effective date. No disclosures are required at transition. The Group is currently in the process of evaluating the impact that adoption of this standard will have on its consolidated financial statements.

In January 2017, the FASB issued Accounting Standards Update No. 2017-04 (ASU 2017-04) “Intangibles—Goodwill and Other (Topic 350)”, Simplifying the Test for Goodwill Impairment, which eliminates Step 2 of the goodwill impairment test that had required a hypothetical purchase price allocation. Rather, entities should apply the same impairment assessment to all reporting units and recognize an impairment loss for the amount by which a reporting unit's carrying amount exceeds its fair value, without exceeding the total amount of goodwill allocated to that reporting unit. Entities will continue to have the option to perform a qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The amendments in this Update are effective for the year ended March 31, 2023 including interim periods. The Group is currently in the process of evaluating the impact that adoption of this standard will have on its consolidated financial statements.

In March 2017, the FASB issued Accounting Standards Update No. 2017-07 (ASU 2017-07) “Compensation—Retirement Benefits (Topic 715)”, Under generally accepted accounting principles (GAAP), defined benefit pension cost and postretirement benefit cost (net benefit cost) comprise several components that reflect different aspects of an employer's financial arrangements as well as the cost of benefits provided to employees. The amendments in this Update require that an employer disaggregate the service cost component from the other components of net benefit cost. The amendments also provide explicit guidance on how to present the service cost component and the other components of net benefit cost in the income statement and allow only the service cost component of net benefit cost to be eligible for capitalization. The amendments in this Update are considered an important part of the Board's continuing efforts to improve the accounting and presentation related to defined benefit pension or other postretirement benefit plans. The amendments in this Update are effective for the year ended March 31, 2020. The Group is currently in the process of evaluating the impact that adoption of this standard will have on its consolidated financial statements.

In August 2017, the FASB issued Accounting Standards Update No. 2017-12 (ASU 2017-12) “Derivatives and Hedging (Topic 815)”. The amendments in this Update more closely align the results of cash flow and fair value hedge accounting with risk management activities through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results in the financial statements. The amendments address specific limitations in current GAAP by expanding hedge accounting for both non financial and financial risk components and by refining the measurement of hedge results to better reflect an entity's hedging strategies. Thus, the amendments will enable an entity to include the earnings effect of the hedging instrument in the same income statement line item in which the earnings effect of the hedged item is presented. The amendments are effective for the year ended March 31, 2021. Early application is permitted in any interim period after issuance of the Update. The Group is currently in the process of evaluating the impact that the adoption of this standard will have on its consolidated financial statements.

In August 2018, the FASB issued Accounting Standards Update No. 2018-13 (ASU 2018-13) “Fair value measurement (Topic 820)”. The amendments in this Update apply to all entities that are required, under existing GAAP, to make disclosures about recurring or nonrecurring fair value measurements. The amendments in this Update modify the disclosure requirements on fair value measurements in Topic 820, including the consideration of costs and benefits. The amendments are effective for the year ended March 31, 2021 including interim periods. Early adoption is permitted upon issuance of this Update. The Group is currently in the process of evaluating the impact that the adoption of this standard will have on its consolidated financial statements.

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3. FINANCIAL INSTRUMENTS AND CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Group to concentration of credit risk consist principally of cash equivalents, short term deposits with banks and corporations, accounts receivables, unbilled receivable, finance lease receivable, investment securities and derivative instruments. The cash resources of the Group are invested with mutual funds, banks, financial institutions and corporations after an evaluation of the credit risk. By their nature, all such financial instruments involve risks, including the credit risk of non-performance by counterparties. In the management's opinion, as of March 31, 2018 and December 31, 2018, there was no significant risk of loss in the event of non-performance of the counterparties to these financial instruments, other than the amounts already provided for in the financial statements.

The customers of the Group are primarily corporations based in the United States of America and Europe and accordingly, trade receivables and finance lease receivables are concentrated in the respective countries. The Group periodically assesses the financial reliability of customers, taking into account the financial condition, current economic trends, analysis of historical bad debts and ageing of accounts receivable.

4. TRANSFER OF FINANCIAL ASSETS

The Group has revolving accounts receivable based facilities of \$125,000 permitting it to sell certain accounts receivables to banks on a non-recourse basis in the normal course of business. The aggregate maximum capacity utilized by the Group at any time during the three months period ended December 31, 2017 and 2018 was \$22,745 and \$47,113, and nine months ended December 31, 2017 and 2018 was \$22,745 and \$47,113 respectively. Outstanding utilization against this facility as of March 31, 2018 and December 31, 2018 is nil and \$47,113, respectively.

The Group has sold finance lease receivables of \$8,198, and nil during the three months ended December 31, 2017 and 2018 and \$8,128 and nil, during the nine months ended December 31, 2017 and 2018 respectively, on non-recourse basis.

Gains or losses on the sales are recorded at the time of transfer of these receivables and are immaterial. The Group has immaterial outstanding service obligation.

5. ACQUISITIONS IN CURRENT PERIOD

Acquisition of Actian Corporation

In terms of definitive agreement entered on April 12, 2018 by the Group and Sumeru Equity Partners (SEP), to acquire Actian Corporation, through a joint venture company, the acquisition has been consummated on July 17, 2018.

The Group has paid \$164,000 to acquire 80.39% stake in Joint venture company and SEP has paid \$40,000 to acquire 19.61% of the stake in the joint venture company and the balance purchase consideration has been funded through inter company loan by the Group. The acquisition is part of the Group's strategy to augment its capabilities in the products and platforms business.

Total purchase consideration of \$342,755 (including fair value of options \$18,050) has been preliminarily allocated based on management estimates to the acquired assets and liabilities as follows:

	Amount
Net working capital (including cash of \$5,204)	(\$8,507)
Deferred tax liability	(20,300)
Property plant and equipment	1,453
Customer relationship	51,264
Technology	58,768
Goodwill (including fair value of options \$18,050)	260,077
Total purchase consideration	\$342,755

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The resultant goodwill is not considered tax deductible and has been allocated to software segment.

The table below shows the values and lives of intangibles recognized on acquisition:

	<u>Amount</u>	<u>Life (Years)</u>
Customer relationship	\$51,264	10.0
Technology	58,768	7.0
Total Intangibles	<u>\$110,032</u>	

The Group is in the process of making a final determination of the fair value of assets and liabilities. Finalization of the purchase price allocation may result in certain adjustments to the above allocation.

In addition to the purchase consideration, \$2,781 is payable to employee of the acquired entity in respect of unvested options, the amount payable in respect of such options is retained by acquirer and will be released upon the individual employee continued service upto October 01, 2019. This consideration is being accounted for as post acquisition employee compensation expense in accordance with ASC 805 on "Business combination".

As part of the joint venture agreement, SEP have contributed \$40,000 in form of preferred stock qualified as "Mezzanine Equity" in accordance with ASC 480 on "Distinguishing Liabilities from Equity" in the books of joint venture company carrying 11% cumulative dividend rights with participating dividend rights, conversion rights into equity, voting rights and has a put option, after the expiry of 3 years to require the Group to repurchase all the stake owned by SEP at a price dependent upon performance of the acquiree. The Group also have a call option to purchase all stake held by SEP after the expiry of 4.5 years at a price dependent upon the performance of the acquiree.

The equity contribution by redeemable non-controlling interest of \$40,000 including the value of options have been fair valued at \$58,050 in the condensed consolidated balance sheet in accordance with ASC 810 "Consolidation" and ASC 820 on "Fair value measurements".

During the three months ended December 31, 2018, CEO of Actian have paid \$1000 to acquire 0.49% stake in the Joint Venture Company. Post this investment, the Group and SEP stake in the joint venture company is 80.00% and 19.51%, respectively.

Other Acquisitions

During the nine month periods ended December 31, 2018, the Group has made acquisitions at a total purchase price of \$97,535 including fair value of earn out. The Group has paid \$96,389 and holdback of \$1,146 is payable at the end of two years from the acquisition date

Total purchase consideration of \$97,535 has been preliminarily allocated based on management estimates to the acquired assets and liabilities as follows:

	<u>Amount</u>
Net working capital (including cash of \$12,257)	\$58,351
Property plant and equipment	13,376
Goodwill	25,808
Total purchase consideration	<u>\$97,535</u>

The resultant goodwill is not considered tax deductible and has been allocated to all three segments.

In addition to the purchase consideration, \$3,437 is payable to key employees over a two year period. payment of this amount is contingent upon achieving certain specified targets and these employees continuing to be the employees of the subsidiary on the payment date. This consideration is being accounted for as post acquisition employee compensation expense in accordance with ASC 805 on "Business combination".

The Group is in the process of making a final determination of the fair value of assets and liabilities. Finalization of the purchase price allocation may result in certain adjustments to the above allocation.

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Acquisition of Select IBM Software products

On December 07, 2018, the Company has signed a definitive agreement to acquire business relating to select IBM software products for \$1,775,000 including earn out, 50% of the same will be paid at close and balance later. It is an asset carve-out deal with 100% control on the assets being acquired.

The transaction is expected to close by mid-2019, subject to completion of applicable regulatory approvals.

ACQUISITIONS IN PREVIOUS PERIODS

During the year ended March 31, 2018, the Group has made acquisitions with a total purchase consideration of \$43,486, including deferred earn-out component of \$23,982 which is dependent on achievement of certain specified performance obligations as set out in the agreement. The Group has paid \$19,220 and \$284 is payable at December 31, 2018.

The fair value of earn-out liability was estimated by applying discounted cash flow approach and probability adjusted revenue and earning estimates. The earn-out liability of \$23,982 has been initially fair valued at \$12,641 and recorded as part of the preliminary purchase price allocation. The purchase price of \$32,145 after considering fair value of earn-out of \$12,641 has been preliminarily allocated to the acquired assets and liabilities as follows:

	Amount
Net working capital (including cash of \$2,288)	\$683
Property plant and equipment	1,332
Customer relationship	17,357
Technology	4,591
Customer contract	1,335
Goodwill	6,847
Total purchase consideration	\$32,145

Out of total goodwill of \$6,847, goodwill of \$3,502 is tax deductible over a period of 15 years.

The table below shows the values and lives of intangibles recognized on acquisition:

	Amount	Life (Years)
Customer relationship	\$17,357	4.3 - 9.7
Technology	4,591	4.7 – 5.7
Customer contract	1,335	0.3 - 0.5
Total Intangibles	\$23,283	

During the nine month periods ended December 31, 2018, the Group has finalised purchase price allocations including earnout liability for these acquisitions to adjust for certain factors related to pre acquisition period, which has resulted in reduction in fair value of earn out liability to \$2,826 against \$12,641 with corresponding reduction in value of Intangibles from \$23,283 to \$13,547 as at acquisition date and Goodwill to \$6,768 from earlier value of \$ 6,847.

During the nine month periods ended December 31, 2018, the group has made earnout payment of \$870.

As at December 31, 2018, balance earn out liability has been fair valued at \$2,389 with finance expense of \$433 on fair valuation recognized in the statement of income.

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6. PROPERTY AND EQUIPMENT

As of March 31, 2018 and December 31, 2018, property and equipment comprises the following:

	March 31, 2018	December 31, 2018
Freehold land	\$8,438	\$10,674
Buildings	432,611	419,638
Computer and networking equipment	488,856	558,931
Software	165,149	187,411
Furniture, fixtures and office equipment	110,199	116,414
Plant and equipment	279,776	279,774
Vehicles	18,170	17,208
Capital work-in-progress	59,992	48,005
	1,563,191	1,638,055
Accumulated depreciation and amortization	(767,746)	(831,856)
Property and equipment, net	\$795,445	\$806,199

7. GOODWILL AND INTANGIBLES

The changes in the carrying value goodwill balances by reportable segment, for the nine months ended December 31, 2018, are as follows:

	Software Services	Infrastructure services	Business process outsourcing services	Total
Balance as at March 31, 2018	\$953,075	\$99,251	\$26,504	\$1,078,830
Acquisitions during the period	269,134	13,732	2,941	285,807
Effect of exchange rate changes	(34,961)	(6,849)	(509)	(42,319)
Balance as at December 31, 2018	\$1,187,248	\$106,134	\$28,936	\$1,322,318

The components of intangible assets are as follows:

	March 31, 2018	December 31, 2018
Intellectual property rights	\$1,099	\$1,038
Technology	13,444	70,065
Customer related intangibles	189,046	217,804
Licensed IPRs	1,128,969	1,244,984
Assembled workforce	36,598	39,091
Customer contracts	13,320	12,566
Non-compete agreements	3,644	3,421
Brand and others	4,044	3,694
	\$1,390,164	1,592,663
Accumulated amortization	(258,904)	(348,003)
Intangibles, net	\$1,131,260	\$1,244,660

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The estimated amortization expense schedule for intangible assets based on current balance is as follows:

Year ending March 31,	
2019	\$33,378
2020	128,473
2021	124,882
2022	118,670
2023	109,398
Thereafter	729,859
	<u><u>\$1,244,660</u></u>

8. VARIABLE INTEREST ENTITIES (VIEs)

In evaluating whether the Group has the power to direct the activities of a VIE that most significantly impact its economic performance, the Group considers the purpose for which the VIE was created, the importance of each of the activities in which it is engaged and decision making role, if any, in those activities that significantly determine the entity's economic performance as compared to other economic interest holders. This evaluation requires consideration of all facts and circumstances relevant to decision-making that affects the entity's future performance and the exercise of professional judgment in deciding which decision-making rights are most important.

The Group is the primary beneficiary holding 100% dividend and distribution rights in VIEs. The Group consolidates VIEs because it has the authority to manage and control the activities that significantly affect the economic performance of the VIEs.

The table below summarizes the assets and liabilities of consolidated VIEs described above.

	<u>March 31, 2018</u>	<u>December 31, 2018</u>
Current assets		
Cash and cash equivalents	\$5,394	\$5,060
Short term deposits with banks	31,247	37,590
Accounts receivables, net	5,556	1,155
Unbilled receivable (Previous year : Unbilled revenue)	2,376	1,414
Other current assets	2,090	4,333
Total Current Assets	<u>\$46,663</u>	<u>\$49,552</u>
Deferred income taxes, net	5,758	5,859
Property and equipment, net	4,615	5,887
Other assets	892	8,447
Total Assets	<u><u>\$57,928</u></u>	<u><u>\$69,745</u></u>
Current liabilities		
Accounts payable	\$597	\$888
Accrued employee costs	1,281	1,324
Other current liabilities	3,485	4,168
Total current liabilities	<u>\$5,363</u>	<u>\$6,380</u>
Accrued employee costs	520	543
Total liabilities	<u><u>\$5,883</u></u>	<u><u>\$6,923</u></u>

- a) Assets and liabilities exclude all intercompany accounts and transactions, which are eliminated in consolidation.

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- b) For the three months period ended December 31, 2017 and 2018, total revenues from VIEs were \$12,312 and \$12,776, respectively and for the nine months period ended December 31, 2017 and 2018, total revenues from VIEs were \$36,861 and \$44,122, respectively.

9. INVESTMENT SECURITIES

Available for sale investment securities consist of the following:

As of March 31, 2018:

	Carrying value	Gross unrealized holding gains	Gross unrealized holding loss	Fair value
Mutual fund units – debt	\$359,540	\$2,121	\$-	\$361,661
Corporate debt securities – bonds	39,988	-	(39)	39,949
Total	\$399,528	\$2,121	(\$39)	\$401,610

As of December 31, 2018:

	Carrying value	Gross unrealized holding gains	Gross unrealized holding loss	Fair value
Mutual fund units – debt	\$132,509	\$115	\$-	\$132,624
Corporate debt securities – bonds	212,946	511	-	213,457
Total	\$345,455	\$626	\$-	\$346,081

The gross unrealized holding gains have been recorded as part of other comprehensive income (loss).

The maturity profile of the investments classified as available for sale as of December 31, 2018 is set out below:

	Fair value
Less than one year	\$138,359
After 1 year through 5 years	162,488
After 5 years through 10 years	45,234
	\$346,081

Proceeds from the sale of available-for-sale securities was \$2,183,233, and \$2,812,196, for the nine months ended December 31, 2017 and 2018, respectively.

The cost of a security sold or the amount reclassified out of accumulated 'other comprehensive income (loss)' into earnings was determined on first-in-first-out (FIFO) basis.

The table summarizes the transactions for available for sale securities:

	Three months ended December 31		Nine months ended December 31	
	2017	2018	2017	2018
Net realised gain	\$7,619	\$6,804	\$18,317	\$19,980
Reclassification into earnings on maturity out of other comprehensive income	\$5,207	\$4,230	\$13,273	\$13,061

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10. DERIVATIVE FINANCIAL INSTRUMENTS

In the normal course of business, the Group uses derivative financial instruments to manage foreign currency exchange rate risk. Derivative transactions are governed by a uniform set of policies and procedures covering areas such as authorization, counterparty exposure and hedging practices. The Group does not enter into derivative transactions for trading or speculative purposes.

As a result of the use of derivative instruments, the Group is exposed to the risk that counterparties to derivative contracts will fail to meet their contractual obligations. To mitigate the counterparty credit risk, the Group has a policy of entering into contracts only with carefully selected, nationally recognized financial institutions, based upon their credit ratings and other factors. The Group has entered into a series of foreign exchange forward contracts that are designated as cash flow hedges and the related forecasted transactions extend through June 2023.

The following table presents the aggregate notional principal amounts of the outstanding derivative forward covers, together with the related balance sheet exposure:

	Notional principal amounts		Balance sheet exposure Asset (Liability)	
	March 31, 2018	December 31, 2018	March 31, 2018	December 31, 2018
Foreign exchange forward denominated in:				
USD /INR	\$246,394 (Sell)	\$408,388 (Sell)	\$3,730	(\$8,082)
GBP/ INR	£9,760 (Sell)	£2,000 (Sell)	(69)	165
GBP/USD	£14,730 (Sell)	£49,163 (Sell)	124	(514)
EUR / USD	€ 45,700 (Sell)	€ 57,442 (Sell)	484	40
EUR/ INR	€ 67,895 (Sell)	€ 73,184 (Sell)	(2167)	2017
AUD/INR	AUD 34,350 (Sell)	AUD 18,100 (Sell)	921	842
AUD/USD	AUD 9,100 (Sell)	- (Sell)	135	-
SEK/INR	SEK 315,100 (Sell)	SEK 208,000 (Sell)	914	1614
CHF/USD	CHF 1,500 (Sell)	CHF 7,000 (Sell)	10	(24)
CHF/ INR	CHF 21,000 (Sell)	CHF 24,500 (Sell)	531	418
MXN/USD	MXN 197,500 (Sell)	MXN 230,000 (Sell)	(161)	(224)
RUB/USD	RUB 198,000 (Sell)	RUB 292,000 (Sell)	9	129
NOK/USD	- (Sell)	NOK 46,500 (Sell)	-	(19)
NOK/INR	NOK 160,000 (Sell)	NOK 276,000 (Sell)	339	1,846
CNY/USD	CNY 67,550 (Sell)	CNY 31,750 (Sell)	(83)	(24)
NZD/USD	NZD 4,560 (Sell)	- (Sell)	12	-
DKK/USD	- (Sell)	DKK 15,000 (Sell)	-	(8)
ZAR/USD	ZAR 195,000 (Sell)	ZAR 13,500 (Sell)	98	11
ZAR/INR	- (Sell)	ZAR 56,000 (Sell)	-	(7)
JPY/USD	JPY 939,069 (Sell)	- (Sell)	45	-
BRL/USD	BRL 24,500 (Sell)	BRL 33,000 (Sell)	50	(36)
CAD/USD	CAD 23,000 (Buy)	CAD 31,900 (Buy)	(509)	(657)
SGD/USD	SGD 35,650 (Buy)	SGD 52,800 (Buy)	48	230
GBP/USD	£19,000 (Buy)	- (Buy)	(113)	-
CHF/USD	CHF 1,700 (Buy)	- (Buy)	(39)	-
SEK/USD	SEK 60,000 (Buy)	SEK 237,500 (Buy)	(286)	183
JPY /USD	- (Buy)	JPY 717,000 (Buy)	-	91
AUD /USD	- (Buy)	AUD 7,830 (Buy)	-	8
NOK /USD	NOK 81,000 (Buy)	NOK 76,500 (Buy)	10	(337)
DKK/USD	DKK 58,000 (Buy)	DKK 82,750 (Buy)	55	76
PHP/USD	PHP 335,000 (Buy)	PHP 490,000 (Buy)	(20)	112
			\$4,068	(\$2,150)

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The following table presents the aggregate notional principal amounts of the outstanding forward options together with the related balance sheet exposure:

	Notional principal amounts		Balance sheet exposure Asset (Liability)	
	March 31, 2018	December 31, 2018	March 31, 2018	December 31, 2018
Range Forward				
USD/INR	\$1,099,485	\$1,209,742	\$28,636	\$6,680
EUR/INR	€ 110,380	€ 64,590	(2,442)	1,524
GBP/INR	£60,800	£23,100	(946)	929
AUD/INR	AUD 10,580	AUD 19,080	255	852
CHF/INR	-	CHF 1,500	-	87
SEK/INR	-	SEK 15,000	-	62
EUR/USD	€ 3,500	-	(8)	-
Seagull				
USD/INR	\$14,750	\$15,000	(33)	493
EUR/INR	€ 14,200	-	(66)	-
GBP/INR	£6,000	-	(46)	-
PUT				
USD/INR	\$50,000	\$18,000	118	492
			\$25,468	\$11,119

The notional amount is a key element of derivative financial instrument agreements. However, notional amounts do not represent the amount exchanged by counterparties and do not measure the Group's exposure to credit risk as these contracts are settled at their fair values at the maturity date.

The balance sheet exposure denotes the fair value of these contracts at the reporting date and is presented in US Dollars.

The Group presents its foreign exchange derivative instruments on a net basis in the condensed consolidated financial statements due to the right of offset by its individual counterparties under master netting agreements.

The fair value of those derivative instruments presented on a gross basis as of each date indicated below is as follows:

March 31, 2018

	Other Current Assets	Other Non - Current Assets	Other Current Liabilities	Other Non - Current Liabilities	Total Fair Value
Derivatives designated as hedging instruments:					
Foreign exchange contracts in an asset position	\$30,138	\$6,808	\$2,901	\$3,218	\$43,065
Foreign exchange contracts in a liability position	(2,901)	(3,218)	(2,901)	(3,325)	(12,345)
Net asset (liability)	\$27,237	\$3,590	\$0	(\$107)	\$30,720
Derivatives not designated as hedging instruments:					
Foreign exchange contracts in an asset position	\$1,556	\$-	\$1,473	\$-	\$3,029
Foreign exchange contracts in a liability position	(1,473)	-	(2,740)	-	(4,213)
Net asset (liability)	\$83	\$-	(\$1,267)	\$-	(\$1,184)
Total Derivatives at fair value	\$27,320	\$3,590	(\$1,267)	(\$107)	\$29,536

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	December 31, 2018				
	<u>Other Current Assets</u>	<u>Other Non - Current Assets</u>	<u>Other Current Liabilities</u>	<u>Other Non - Current Liabilities</u>	<u>Total Fair Value</u>
Derivatives designated as hedging instruments:					
Foreign exchange contracts in an asset position	\$11,526	\$7,289	\$5,381	\$6,310	\$30,506
Foreign exchange contracts in a liability position	(5,381)	(6,310)	(6,139)	(10,040)	(27,870)
Net asset (liability)	<u>\$6,145</u>	<u>\$979</u>	<u>(\$758)</u>	<u>(\$3,730)</u>	<u>\$2,636</u>
Derivatives not designated as hedging instruments:					
Foreign exchange contracts in an asset position	\$8,325	\$-	\$1,011	\$-	\$9,336
Foreign exchange contracts in a liability position	(1,011)	-	(1,992)	-	(3,003)
Net asset (liability)	<u>\$7,314</u>	<u>\$-</u>	<u>(\$981)</u>	<u>\$-</u>	<u>\$6,333</u>
Total Derivatives at fair value	<u>\$13,459</u>	<u>\$979</u>	<u>(\$1,739)</u>	<u>(\$3,730)</u>	<u>\$8,969</u>

The following tables set forth the fair value of derivative instruments included in the condensed consolidated balance sheets as on March 31, 2018 and December 31, 2018:

Derivatives designated as hedging instruments:

	<u>March 31, 2018</u>	<u>December 31, 2018</u>
Unrealized gain on financial instruments classified under current assets	\$27,237	\$6,145
Unrealized gain on financial instruments classified under non current assets	3,590	979
Unrealized loss on financial instruments classified under current liabilities	-	(758)
Unrealized loss on financial instruments classified under non-current liabilities	(107)	(3,730)
	<u>\$30,720</u>	<u>\$2,636</u>

Derivatives not designated as hedging instruments:

	<u>March 31, 2018</u>	<u>December 31, 2018</u>
Unrealized loss on financial instruments classified under current liabilities	(\$1,267)	(\$981)
Unrealized gain on financial instruments classified under current assets	83	7,314
	<u>(\$1,184)</u>	<u>\$6,333</u>

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The following tables summarize the activities in the condensed consolidated statement of income during the three months ended December 31, 2017

Derivatives in Cash flow Hedging Relationships	Amount of Gain or (Loss) Recognized in AOCI on Derivatives (Effective Portion)	Location of Gain or (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from AOCI into Income (Effective Portion)	Location of Gain or (Loss) Recognized in Income on Derivatives (Ineffective Portion) and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Foreign Exchange Contracts	\$31,982	Other Income (Expense),net	\$21,633	Other Income (Expense),net	Nil
	\$31,982		\$21,633		Nil
Derivatives not Designated as Hedging		Location of Gain or (Loss) recognized in Income on Derivatives		Amount of Gain or (Loss) recognized in Income on Derivatives	
Foreign exchange contracts		Other Income (Expense),net		\$7,003	

The following tables summarize the activities in the condensed consolidated statement of income during the three months ended December 31, 2018

Derivatives in Cash flow Hedging Relationships	Amount of Gain or (Loss) Recognized in AOCI on Derivatives (Effective Portion)	Location of Gain or (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from AOCI into Income (Effective Portion)	Location of Gain or (Loss) Recognized in Income on Derivatives (Ineffective Portion) and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Foreign Exchange Contracts	\$71,552	Other Income (Expense),net	(\$1,855)	Other Income (Expense),net	Nil
	\$71,552		(\$1,855)		Nil
Derivatives not Designated as Hedging		Location of Gain or (Loss) recognized in Income on Derivatives		Amount of Gain or (Loss) recognized in Income on Derivatives	
Foreign exchange contracts		Other Income (Expense),net		\$8,552	

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The following tables summarize the activities in the condensed consolidated statement of income during the nine months ended December 31, 2017

Derivatives in Cash flow Hedging Relationships	Amount of Gain or (Loss) Recognized in AOCI on Derivatives (Effective Portion)	Location of Gain or (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from AOCI into Income (Effective Portion)	Location of Gain or (Loss) Recognized in Income on Derivatives (Ineffective Portion) and Amount Excluded from Effectiveness Testing	Amount of Gain or (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Foreign Exchange Contracts	\$34,790	Other Income (Expense),net	\$63,488	Other Income (Expense),net	Nil
	\$34,790		\$63,488		Nil
Derivatives not Designated as Hedging		Location of Gain or (Loss) recognized in Income on Derivatives		Amount of Gain or (Loss) recognized in Income on Derivatives	
Foreign exchange contracts		Other Income (Expense),net		\$7,751	

The following tables summarize the activities in the condensed consolidated statement of income during the nine months ended December 31, 2018

Derivatives in Cash flow Hedging Relationships	Amount of Gain or (Loss) Recognized in AOCI on Derivatives (Effective Portion)	Location of Gain or (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from AOCI into Income (Effective Portion)	Location of Gain or (Loss) Recognized in Income on Derivatives (Ineffective Portion) and Amount Excluded from Effectiveness Testing	Amount of Gain or (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Foreign Exchange Contracts	(\$19,739)	Other Income (Expense),net	\$6,686	Other Income (Expense),net	Nil
	(\$19,739)		\$6,686		Nil
Derivatives not Designated as Hedging		Location of Gain or (Loss) recognized in Income on Derivatives		Amount of Gain or (Loss) recognized in Income on Derivatives	
Foreign exchange contracts		Other Income (Expense),net		(\$9,865)	

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The following table summarizes the activity in the accumulated 'Other comprehensive (loss) gain' within equity related to all derivatives classified as cash flow hedges during the nine months ended December 31, 2017 and, 2018 :

	December 31,	
	2017	2018
Balance as at the beginning of the period (before tax)	\$85,796	\$26,017
Unrealized gain (loss) on cash flow hedging derivatives during the period	34,790	(19,739)
Net gain reclassified into net income on occurrence of hedged transactions	(63,488)	(6,686)
Effect of exchange rate fluctuations	1,368	(1,725)
Balance as at the end of the period	\$58,466	(\$2,133)
Deferred tax	(11,369)	378
	\$47,097	(\$1,755)

As of December 31, 2018, the estimated net amount of existing gain that is expected to be reclassified into the income statement from AOCI within the next twelve months is \$1,937.

11. OTHER CURRENT ASSETS

As of March 31, 2018 and December 31, 2018, other current assets comprise the following:

	March 31, 2018	December 31, 2018
Prepaid expenses	\$112,065	\$144,346
Prepaid rentals for leasehold land	568	530
Interest receivable	5,035	15,952
Prepaid/advance taxes	21,440	17,616
Deposits	11,292	9,951
Deferred contract cost (Previous year : Deferred cost)	34,647	55,689
Contract assets	-	58,564
Employee receivables	6,618	7,228
Derivative financial instruments	27,320	13,459
Advance to suppliers	12,869	13,219
Finance lease receivable	52,361	74,892
Restricted cash	812	1,464
Others	75,032	84,120
	\$360,059	\$497,030

12. OTHER ASSETS

As of March 31, 2018 and December 31, 2018, other assets comprise the following:

	March 31, 2018	December 31, 2018
Deposits	\$30,455	\$31,138
Deferred contract cost (Previous year : Deferred cost)	73,220	93,234
Unbilled receivable (Previous year : Unbilled revenue)	33,190	21,451
Prepaid expenses	37,842	52,853
Prepaid rentals for leasehold land	43,739	40,440
Derivative financial instruments	3,590	979
Finance lease receivable	78,997	115,860
Contract assets	-	3,715
Restricted cash	33	19
Others	13	612
	\$301,079	\$360,301

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13. DEBTS

SHORT TERM BORROWINGS

The Group has availed unsecured short term loan amounting to \$100,000 as of December 31, 2018 at effective interest rate of 3.5%,

The Group has availed an unsecured bank line of credit from its bankers amounting to \$6,363 and \$7,445 as of March 31, 2018 and December 31, 2018, respectively, at effective interest rates ranging from 0.6% to 9.6%.

LONG TERM DEBT

	<u>March 31, 2018</u>	<u>December 31, 2018</u>
From banks	\$58,389	\$448,094
Other	2,292	1,473
Less: Current portion	(20,246)	(45,127)
	<u>\$40,435</u>	<u>\$404,440</u>

The scheduled principal repayments are as follows:

	<u>December 31, 2018</u>
Within one year	\$45,127
One to two years	44,567
Two to three years	31,367
Three to five years	328,506
	<u>\$449,567</u>

The Group's borrowings are subject to certain financial and non financial covenants. At December 31, 2018, the Group was in compliance with all such covenants.

Long term debts from banks include:

Unsecured long term loans of \$50,913 and \$441,256 as of March 31, 2018 and December 31, 2018, respectively, at effective interest rates of 0.8% to 3.6%.

Term loans of \$7,476 and \$6,838 as of March 31, 2018 and December 31, 2018, respectively, at effective interest rates of 8.5% to 10.4% and secured by hypothecation of vehicles with a gross book value of \$16,910 and \$15,510 as of March 31, 2018 and December 31, 2018, respectively.

Other long term debts include:

Unsecured long term loans from a vendor of \$2,292 and \$1,473 as of March 31, 2018 and December 31, 2018, respectively, at nil interest.

14. OTHER CURRENT LIABILITIES

As of March 31, 2018 and December 31, 2018, other current liabilities comprise the following:

	<u>March 31, 2018</u>	<u>December 31, 2018</u>
Advances from customers	\$9,902	\$2,508
Sales tax and other taxes payable	89,683	87,855
Accrued liabilities and expenses	433,730	386,855
Supplier's credit*	138,353	101,036
Due to related parties	3,055	1,963
Derivative financial instruments	1,267	1,739
Others	31,500	25,572
	<u>\$707,490</u>	<u>\$607,528</u>

* The Group has negotiated extended interest bearing credit terms with certain vendors for extended payment terms up to 360 days. Interest rate on this arrangement ranges from 1.5% to 9.8%.

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15. EQUITY SHARES

The Company has only one class of capital stock referred to herein as equity shares. Par value of each equity share outstanding as of December 31, 2018 is \$0.03 (₹ 2.00).

Voting

Each holder of equity shares is entitled to one vote per share.

Dividends

Dividends declared and paid by the Company are in Indian Rupees. Dividends payable to equity stockholders are based on the net income available for distribution as reported in the standalone financial statements of the Company prepared in accordance with Ind- AS. Indian law on foreign exchange governs the remittance of dividends outside India. Such dividend payments are subject to applicable taxes.

Buyback

During the three months ended December 31, 2018, the Company has completed the share buyback by extinguishing 36,363,636 fully paid-up equity shares of face value of ₹ 2/- each at a price of ₹ 1,100/- per share paid in cash for an aggregate consideration of \$540,879 (₹ 40,000 million). Same has been recorded as reduction of equity share capital by \$983 (₹ 73 million), additional paid-in capital (APIC) by \$331 (₹ 29 million) and Retained earnings by \$539,565 (₹ 39,898 million).

The expenses of \$1,603 (₹ 118 million) relating to buyback has been adjusted against retained earnings.

Liquidation

In the event of liquidation of the Company, the holders of equity shares shall be entitled to receive all of the remaining assets of the Company, after distribution of preferential amounts, if any. Such amounts will be in proportion to the number of equity shares held by the stockholders.

Stock options

There are no voting, dividend or liquidation rights to the option holders under the Company's stock option plans.

16. OTHER INCOME (EXPENSES), NET

For the three and nine month periods ended December 31, 2017 and 2018, other income (expenses), net consist of :

	Three months ended December 31		Nine months ended December 31	
	2017	2018	2017	2018
Interest income	\$16,243	\$21,345	\$56,190	\$59,363
Gain on sale of investment securities and other investments, net	7,619	6,804	18,317	19,980
Foreign exchange gain (loss), net	19,997	(7,829)	58,908	22,582
Equity in earning (loss) of affiliates	(9)	(158)	2,053	515
Gain on sale of property and equipment	79	17	364	414
Miscellaneous income	200	1,050	645	4,483
Other income, net	\$44,129	\$21,229	\$136,477	\$107,337

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17. INCOME TAXES

The effective tax rate for the Group for the three and nine months period ended December 31, 2017 and 2018 is 20.9% and 17.7% and 20.4% and 19.8%, respectively. The changes in effective tax rate in nine months period ended December 31, 2017 and 2018 is mainly due to change in unrecognized tax benefits for certain tax positions taken during the period.

A reconciliation of the beginning and ending balance of unrecognized tax benefits is as follows:

	March 31, 2018	December 31, 2018
Balance at the beginning of the period	\$85,602	\$94,091
Increase due to tax position taken during the current period	13,167	29,397
Increase (Decrease) due to tax position taken during the prior period	(4,146)	10,156
Effect of exchange rate fluctuations	(532)	(5,766)
Balance at the end of the period	\$94,091	\$ 127,878

18. EQUITY SHARES

The following is the reconciliation of the weighted average number of equity shares used in the computation of basic and diluted earnings per equity share:

	Three months ended December 31,		Nine months ended December 31,	
	2017	2018	2017	2018
Weighted average number of equity shares outstanding used in computing basic EPS	1,392,070,357	1,360,154,362	1,404,349,245	1,381,613,640
Dilutive effect of stock options	969,881	510,614	970,415	510,791
Weighted average number of equity and equity equivalent shares outstanding used in computing diluted EPS	1,393,040,238	1,360,664,976	1,405,319,660	1,382,124,431

For the three and nine month periods ended December 31, 2017 and 2018, there were no options to purchase equity shares of common stock with exercise price greater than the average market value of our stock that would have been anti-dilutive.

19. EMPLOYEE BENEFIT PLANS

India operations

The Group has employee benefit plans in the form of certain statutory and welfare schemes covering substantially all of its employees.

Defined benefit Plan

Gratuity

In accordance with the Indian law, the Group provides for gratuity, a defined benefit retirement plan (the "Gratuity Plan") covering all employees in India. The Gratuity Plan provides a lump sum payment to vested employees at retirement or termination of employment of an amount based on the respective employee's base salary and tenure of employment subject to a maximum of \$29 (` 2,000,000/-) and the years of employment with the Group.

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Net gratuity cost for the three and nine month periods ended December 31, 2017 and 2018 comprise the following components:

	Three months ended		Nine months ended	
	December 31,		December 31,	
	2017	2018	2017	2018
Service cost	\$2,606	\$2,726	\$7,827	\$8,604
Interest cost	1,133	1,216	3,397	3,729
Expected return on plan assets	(45)	(37)	(135)	(114)
Amortization of unrecognized actuarial loss	(6)	(84)	(18)	(185)
Net gratuity cost	\$3,688	\$3,821	\$11,071	\$12,034

Provident fund

In accordance with Indian law, all employees receive benefits from a provident fund, which is a defined benefit plan. Under this plan, the employer and employee make monthly contributions to a fund managed by certain employees of the Group ("Trust"). The employees contribute 12% of their basic compensation, which is matched by an equal contribution by the employer. The Group contributes two-third of the contribution to the Government administered pension fund subject to a maximum of \$0.02 (` 1250/-) and the remaining portion is contributed to the Trust. The rate at which the annual interest is payable to the beneficiaries by the Trust is administered by the government. The Group has an obligation to fund any shortfall on the yield of the Trust's investments over the administered interest rates. The funds contributed to the Trust are invested in specific securities as mandated by law and generally consist of federal and state government bonds, debt instruments of government-owned corporations and other eligible market securities.

Total contributions made by the Group in respect of this plan for the three and nine month periods ended December 31, 2017 and 2018 are \$4,984 and \$5,235 and \$14,243 and \$14,844, respectively

Total contributions made by the Group towards Employees Pension Scheme for the three and nine month periods ended December 31, 2017 and 2018 are \$3,933 and \$3,647 and \$11,440 and \$11,254, respectively.

Defined Contribution Plan

Superannuation

In respect to superannuation, a defined contribution plan for eligible employees who contribute to a recognized Trust under schedule IV, Part B of Income Tax 1961, Trust funds are administered on its behalf by an appointed fund manager and such contributions for each year of service rendered by the employees are charged to the statement of profit and loss. The Group has no further obligations to the superannuation plan beyond its contributions. Total contributions made in respect of this plan for the three and nine month periods ended December 31, 2017 and 2018 are \$102 and \$107 and \$307 and \$324, respectively.

Others

Total contributions made by the Group in respect of other foreign defined contribution plan for the three and nine month periods ended December 31, 2017 and, 2018 are \$17,154 and \$18,087 and \$50,089 and \$54,840, respectively.

20. COMMITMENTS AND CONTIGENCIES

Capital commitments

As of December 31, 2018, the Group had contractual commitments for capital expenditure of \$86,428.

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Other commitments

Some of the Group's software development centers in India are Special Economic Zone/Software Technology Park/Export Oriented Units under the guidelines issued by the Government of India. These units are exempt from customs and central excise duties and levies on imported and indigenous capital goods and stores and spares. The Group has executed legal undertakings to pay customs duty, central excise duty, levies and liquidated damages payable, if any, in respect of imported and indigenous capital goods and stores and spares consumed duty free, in the event that certain terms and conditions are not fulfilled.

Other Contingencies

The Group is involved in various lawsuits, claims and proceedings that arise in the ordinary course of business, the outcome of which is inherently uncertain. Some of these matters include speculative and frivolous claims for substantial or indeterminate amounts of damages. The Group records a liability when it is both probable that a loss has been incurred and the amount can be reasonably estimated. Significant judgment is required to determine both probability and the estimated amount. The Group reviews these provisions at least annually and adjusts these provisions accordingly, to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, and updated information. The Group believes that the amount or estimable range of reasonably possible loss, will not, either individually or in the aggregate, have a material adverse effect on its business, consolidated financial position, results of operations, or cash flows with respect to loss contingencies for legal and other contingencies as of December 31, 2018.

21. SEGMENT REPORTING

The Group's operations predominantly relate to providing a range of IT & BPO services targeted at Global 2000 companies spread across America, Europe & Rest of the World. IT services include software services & IT infrastructure management services. Within software services, the Group provides application development & maintenance, enterprise application, next generation SAAS (Software As A Service) application services and engineering and R&D (Research and Development) services to several global customers. Infrastructure management services involve managing customer's IT assets effectively. Business process outsourcing services include the traditional contact centre & help desk services and the next generation services around platform BPO & BPAAS (Business Process As A Service) delivered through a global delivery model.

The Chief Operating Decision Maker ("CODM") evaluates the Group's performance by business segment, comprising software services, infrastructure management services and business process outsourcing services. Accordingly, the above stated business segments have been identified as reportable segments for the purpose of segment reporting. Assets and liabilities are not identified to any reportable segments, since these are increasingly used interchangeably across segments and consequently, the management believes that it is not practicable or meaningful to provide segment disclosures relating to total assets and liabilities. Segment information for prior periods is provided on a comparative basis.

Information on reportable segments for the three months period ended December 31, 2017 is as follows:

	Software services	Infrastructure management services	Business process outsourcing services	Total
Revenue	<u>\$1,184,188</u>	<u>\$729,798</u>	<u>\$73,554</u>	<u>\$1,987,540</u>
Segment earnings	\$252,186	\$133,216	\$3,925	\$389,327

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Information on reportable segments for the three months period ended December 31, 2018 is as follows:

	Software services	Infrastructure management services	Business process outsourcing services	Total
Revenue	\$1,267,061	\$825,045	\$109,367	\$2,201,473
Segment earnings	\$255,352	\$160,665	\$14,570	\$430,587

Information on reportable segments for the nine months period ended December 31, 2017 is as follows:

	Software services	Infrastructure management services	Business process outsourcing services	Total
Revenue	\$3,390,665	\$2,198,718	\$210,341	\$5,799,724
Segment earnings	\$699,899	\$430,085	\$18,349	\$1,148,333

Information on reportable segments for the nine months period ended December 31, 2018 is as follows:

	Software services	Infrastructure management services	Business process outsourcing services	Total
Revenue	\$3,699,541	\$2,324,732	\$330,365	\$6,354,638
Segment earnings	\$759,172	\$452,680	\$40,301	\$1,252,153

The CODM assesses the performance of the operating segments based on a measure of segment earnings. This measurement basis adjusts income before income taxes to exclude the effects of stock based compensation, cash flow hedge accounting gains (losses), foreign exchange gains (losses), finance costs and other income.

A reconciliation of segment earnings to income before income taxes is provided as follows:

	Three months ended December 31,		Nine months ended December 31,	
	2017	2018	2017	2018
Segment earnings	\$389,327	\$430,587	\$1,148,333	\$1,252,153
Foreign exchange gain	19,997	(7,829)	58,908	22,582
Finance cost	(3,207)	(6,908)	(7,724)	(14,194)
Other income, net	24,132	29,058	77,569	84,755
Income before income taxes	\$430,249	\$444,908	\$1,277,086	\$1,345,296

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22. DISAGGREGATE REVENUE INFORMATION

The table below presents disaggregated revenue from contracts with the customers for the three and nine month periods ended December 31, 2018 by geography and contract type.

Revenues by geography

Group operates out of various geographies and America and Europe constitute major portion of revenue accounting for over 61% and 26% of the revenues respectively, rest of revenue is generated by various other Geographies. Revenue and Cash flow from these geographies are consistent across various periods and are effected only in cases of specific risk with respect to any country or customer as the case maybe.

Revenues by contract type

	Three months ended December 31, 2018	Nine months ended December 31, 2018
Fixed price	\$ 1,393,674	\$ 3,963,981
Time and material	807,799	2,390,657
Total	\$ 2,201,473	\$ 6,354,638

23. FAIR VALUE MEASUREMENT

The Group records certain financial assets and liabilities at fair value on a recurring basis. The Group determines fair values based on the price it would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability.

The Group holds certain fixed income securities, equity securities and derivatives, which must be measured using the FASB's guidance for fair value hierarchy and related valuation methodologies. The guidance specifies a hierarchy of valuation techniques based on whether the inputs to each measurement are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Group's assumptions about current market conditions. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The prescribed fair value hierarchy and related valuation methodologies are as follows:

Level 1 —Quoted inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 —Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations, in which all significant inputs are directly or indirectly observable in active markets.

Level 3 —Valuations derived from valuation techniques, in which one or more significant inputs are unobservable inputs which are supported by little or no market activity.

In accordance with ASC 820, assets and liabilities are to be measured based on the following valuation techniques:

Market approach – Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

Income approach – Converting the future amounts based on the market expectations to its present value using the discounting method.

Cost approach – Replacement cost method.

The following table discloses the assets and liabilities measured at fair value on a recurring basis as of March 31, 2018 and the basis for that measurement:

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	Fair value	Level 1 inputs	Level 2 inputs	Level 3 inputs
Assets				
Deposits with banks, having maturities less than three months	\$30,933	\$30,933	-	-
Term deposits with banks	\$356,300	-	\$356,300	-
Deposits with corporation	\$564,119	-	\$564,119	-
Investment securities, available for sale	\$401,610	\$401,610	-	-
Derivative contracts	\$30,910	-	\$30,910	-
Liabilities				
Derivative contracts	(\$1,374)	-	(\$1,374)	-

The following table discloses the assets and liabilities measured at fair value on a recurring basis as of December 31, 2018 and the basis for that measurement:

	Fair value	Level 1 inputs	Level 2 inputs	Level 3 inputs
Assets				
Deposits with banks, corporations and debt securities having maturities less than three months	\$156,636	\$156,636	-	-
Term deposits with banks	\$247,403	-	\$247,403	-
Deposits with corporation	\$506,689	-	\$506,689	-
Investment securities, available for sale	\$346,081	\$346,081	-	-
Derivative contracts	\$14,438	-	\$14,438	-
Liabilities				
Derivative contracts	(\$5,469)	-	(\$5,469)	-

Valuation Methodologies

Quoted market prices in active markets are available for investments in securities and, as such, these investments are classified within Level 1.

Investments: The Company's investments consist primarily of investment in debt linked mutual funds and corporate debt securities. Fair values of investment securities classified as available-for-sale are determined using quoted prices for identical assets or liabilities in active markets and are classified as Level 1. Fair value of term deposits with banks and corporations is determined using observable markets' inputs and is classified as Level 2.

Derivative financial instruments: The Group's derivative financial instruments consist of foreign currency forward exchange contracts. Fair values for derivative financial instruments are based on broker quotations and are classified as Level 2. See note 10 for further details on Derivative financial instruments.

Fair value of earn-out consideration: The fair value measurement of earn-out consideration is determined using Level 3 inputs. The Group earn-out consideration represents a component of the total purchase consideration for its acquisitions. The measurement is calculated using unobservable inputs based on the Company's own assessment of achievement of certain performance goals. During the three and nine month periods ended December 31, 2018, the group has charged finance cost of \$11 and \$253, recognized other income of \$640 and \$2,679 and has fair valued the earn-out consideration.

During the nine month periods ended December 31, 2018, the group has made earnout payment of \$3,129 and has reduced the fair value of earnout liability estimated as at acquisition date by \$9,815.

The Group estimated the total fair value of the earn out consideration to be \$17,759 and \$2,389 as of March 31, 2018 and December 31, 2018, respectively for acquisitions consummated in previous periods.

The fair value of the Group's current assets and current liabilities including short term deposits with Banks, corporations, and short term loans approximate their carrying values because of their short-term maturity.

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Certain assets are measured at fair value on a non-recurring basis and therefore are not included in the recurring fair value table above. The assets and liabilities consist primarily of long term debt and other non financial assets such as goodwill and intangible assets. Goodwill and intangible assets are measured at fair value initially and subsequently when there is an indicator of impairment, the impairment is recognized.

24. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table summarizes the changes in the accumulated balances for each component of accumulated other comprehensive income attributable to HCL Technologies limited.

	Three months ended December 31		Nine months ended December 31	
	2017	2018	2017	2018
Unrealized gain on securities available for sale:				
Opening balance (net of tax)	\$2,927	\$672	\$827	\$ 1,475
Unrealized gains	2,725	3,919	13,814	11,604
Reclassification adjustments into other income, net	(5,207)	(4,230)	(13,273)	(13,061)
Income tax benefit (expense)	806	(129)	(119)	153
Effect of exchange fluctuations	(10)	(20)	(8)	41
Closing balance (net of tax)	<u>\$1,241</u>	<u>\$212</u>	<u>\$1,241</u>	<u>\$212</u>
Unrealized gain (loss) on cash flow hedges:				
Opening balance (net of tax)	\$36,567	(\$62,768)	\$68,617	\$ 20,958
Unrealized gain (loss)	31,982	71,552	34,790	(19,739)
Reclassification adjustments into other income, net	(21,633)	1,855	(63,488)	(6,686)
Income tax benefit (expense)	(1,705)	(13,279)	5,810	5,437
Effect of exchange fluctuations	1,886	885	1,368	(1,725)
Closing balance (net of tax)	<u>\$47,097</u>	<u>(\$1,755)</u>	<u>\$47,097</u>	<u>(\$1,755)</u>
Actuarial gain (loss) on defined benefit plan:				
Opening balance (net of tax)	\$2,406	\$3,391	\$2,424	\$3,722
Actuarial gains (losses)	-	-	-	72
Reclassification adjustments into employee benefit expenses*	-	-	-	-
Income tax benefit (expense)	57	63	54	37
Effect of exchange fluctuations	60	129	45	(248)
Closing balance (net of tax)	<u>\$2,523</u>	<u>\$3,583</u>	<u>\$2,523</u>	<u>\$3,583</u>
Foreign currency translation:				
Opening balance	(\$630,811)	(\$1,067,442)	(\$663,664)	(\$605,080)
Foreign currency translation	83,603	105,010	116,456	(357,352)
Closing balance	<u>(\$547,208)</u>	<u>(\$962,432)</u>	<u>(\$547,208)</u>	<u>(\$962,432)</u>

* Reclassification into employee benefit expenses are recognized in cost of revenues and selling, general and administrative expenses

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25. COMPONENTS OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The components of accumulated other comprehensive loss at March 31, 2018 and December 31, 2018 are as follows:

	<u>March 31, 2018</u>	<u>December 31, 2018</u>
Unrealized gain on securities available for sale	\$1,475	\$212
Unrealized gain (loss) on cash flow hedges	20,958	(1,755)
Unrealized gain on defined benefit plan	3,722	3,583
Foreign currency translation	(605,080)	(962,432)
	<u>(\$578,925)</u>	<u>(\$960,392)</u>

26. SUBSEQUENT EVENTS

- a. On January 29, 2019 the Group announced an interim dividend of ₹ 2 per share amounting to \$38,858 (₹ 2,713 million).
- b. The Group has evaluated all the subsequent events through January 29, 2019, which is the date on which these financial statements were issued, and no events have occurred from the balance sheet date through that date that would have material impact on the condensed consolidated financial statements.